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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

FRIDAY, MARCH 12, 1920

PART 15

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

House of Representatives.

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MEAT-PACKER LEGISLATION.

Committee on Agriculture,
House of Representatives,
Friday, March 12, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The Chairman. Mr. Mercer, are you ready to proceed?

Mr. Mercer. Yes, sir, Mr. Chairman.

The Chairman. Please state whom you represent, Mr. Mercer.

STATEMENT OF MR. J. H. MERCER, LIVE-STOCK COMMISSIONER AND SECRETARY OF THE KANSAS LIVE-STOCK ASSOCIATION, TOPEKA, KANS.

Mr. Mercer. I am the live-stock commissioner of the State of Kansas and appear here as secretary of the Kansas Live-Stock Association, an organization of over 10,000 members of live stock farmers and producers.

Mr. Chairman and gentlemen of the committee, there is one thing that I should have liked to have some of my Chicago friends to have heard.

In my opening statement I wish to qualify. Unfortunately I am not a college graduate, but I was born in the United States, spent 46 years of my life on a farm, breeding cattle and hogs and raising agricultural products and a family. I spent a good many years of my life on a small farm and did most of the work on the farm myself. Therefore, I trust that I will not be accused as being a follower of such characters as Lenin or Trotski or even such an American as the present mayor of Chicago. Should I make statements here which are at variance with the opinions of other men who have appeared before you and made statements, I will say that I am not much of a believer of men accusing other men of being unfair or unreasonable because they differ with me in opinion.

I will take up very little of the committee's time, as I have appeared already before the Senate committee, which is a matter of record, and given my views concerning what is termed "packer legislation."

Well, there are several propositions that have been considered in this law, the packers, the stockyards, stock commission merchants, and the live stock traders. I am not a packer and know very little about his business. I feel this, that there has grown up in this country a great industry known as the packing industry. It has extended until it has reached to everywhere in the United States and to a great many other countries. I think that the men of brains and efficiency that have worked out the intricate problems of the packing industry should be entitled to all the benefits of that effort, but back of all of that are the live stock producers of America who have made it possible for those men to do these things; they have indirectly and directly financed the entire proposition. There has been for a great many years, since this packing industry has become so great, matters and things that have grown into the marketing of live stock that have caused the producer to feel, at times, at least, that there might be something wrong with the business in which he was engaged as to its marketing.

It is lamentable to me to hear producers come before this committee and say that there is no demand, that there is no need of any legislation or investigation or whatever we might term it. The paramount problem with the producer to-day is to have something take place that will stabilize the market of the product that he produces. For anyone to say that the market is a stabilized market in these times is preposterous and foolish.

I am not here this morning accusing the packer of being responsible for that very, very unsettled condition of the live-stock markets, but we all must know, who have paid any attention to this whatever, that the live-stock business, as a general proposition, has become so unsafe that there is not particular inducement any more for the young men to enter into that class of business, and also coupled with that condition it is absolutely necessary for any man engaged in farming to produce live stock, because if he did not his farming would be unsuccessful in almost every section of our country. Consequently the opinion that I have is that the thinking producer's interest now is to have something, to bring about something that will settle this unsettled condition.

To illustrate, I want to bring before this committee—I think that you are not all farmers, perhaps, unfortunately you are not, but I want to bring some concrete examples before you as to the marketing proposition of live stock. I think I can qualify because I have shipped live stock up until a year ago in small and large numbers for 25 years. I say that any industry as great as the live-stock industry, where a man can not tell with any certainty 10 days ahead of time, or even a week ahead of time, anywhere near the value of his product, that there is something wrong with the market conditions of that industry.

I know from my own experience and from the experience of many others that you can market cattle of like kind and brand, feeding, weight, and equal quality on one day of this week and there will be a difference in the value of the property to the extent, a great many times, of a dollar or a dollar and a half a hundred in a week's time. I am not saying that it is always downward, there are flashes when the market goes up, but it touches a very much larger number of producers when it goes down than when it goes up. So, I say, it is absolutely necessary to foster and encourage the production of live stock in this country, and to do something to eliminate that condition. The packer claims that he is not responsible for it. I say that I do not know that he is, but when you ship cattle from every corner of this great country to every market of large or small consequence, or any consequence in the entire United States, who are the people that are the dominating force in the buying of that product? There seems to be competition and, perhaps, there is more or less competition between the packers, but at the same time there is no other competition to speak of at any other point or anywhere else. There are only one or two markets, as I understand it, of any consequence where the five big packers are not represented. You can start at Fort Worth, Tex., and you can come clear across the continent; you could ship your cattle to Oklahoma City to-day, and, who is the buyer, you might be dissatisfied with that shipment and go on to Kansas city, and who are the buyers there? You go on to Chicago and there is the same buying force. When I say "the same buying force" I mean that there are but few men engaged in the packing business that are known to the producing world outside of the five big packers. There are a good many small local concerns over the country, but they are not to be reckoned with in the handling of this great industry.

Now, I have said that I would give you a concrete case. To begin with, let me state to this committee that I am opposed to certain things that are set forth in some of the present bills that I want to make myself clear about. I am opposed to that feature of the Kenyon-Kendrick bill that separates or divorces the packer from his refrigerator car or that separates or divorces him from his plant facilities of any kind. I feel, however, gentlemen, that in order to bring about a better understanding between the producers and a better feeling and more confidence that the packer has got to be regulated by a force of law. I do not believe it is possible for the producer and the packer to come together on common ground and agree upon a course that would be satisfactory to the producers or even the packers. It was tried a year or a little more ago. It was one of the parties that helped to start the move. It failed, and therefore I deem it absolutely, in my judgment, beyond the possibility of ever accomplishing anything in that line, unless it is delegated, or rather, formulated, in a requirement of law of this country. Therefore, I am very strong for regulatory legislation of big interests of any kind, not particularly the packing industry, or not singling them out—any industry that has grown so large in this country that it is beyond the possibility of the average man who supports it and keeps it up to understand anything about it. He will feel much better, he will have more confidence, if he knows that his Government has some restraining hand upon that force.

I want to illustrate some matters that I claim for a governmental body. By the way, I think that your commission is the kind of a commission to create. I am opposed to placing this under the Department of Agriculture. I think if your commission should be composed of five that it would be better even than three. I think that the live-stock industry of this Nation is of such an importance to it that this country can well afford to spend its money for the control and upbuilding of that industry. Therefore, the question of its being an expense or burden to this country is of no consequence, and I do not think that much consideration should be given to arguments which are brought against it.

I say we have these examples which a force of some kind could correct. For instance, I will give you an illustration, gentlemen, of a concrete case and if you want it I will produce the affidavit of the man who made the statement. I am not charging that anybody did any wrong, understand, because it is simply a business transaction. Here is a firm of Ward Bros., of Washington County, in my State, who are large farmers, raising a great many cattle and hogs of their own and who usually feed on an average each year for market about 500 head. They got ready for the marketing of their cattle this last fall. I think it was in November that they shipped the first 100 head. The cattle sold at Kansas City for 14.25 cents.

In about 10 days' time thereafter they shipped another hundred head of the cattle, and the best that they could get on those cattle in Kansas City was 13 cents. The firm of Robinson Commission Co. handled the cattle and Jim Reed, known to every live-stock man in the West, was selling the cattle. He told the owner that he had exhausted every possible effort to get a better price, but that it was impossible for him to do so. It was the best price he could get, and he advised him to sell them. He said that he would not sell them and take that price at that time, but would ship them, and he instructed the commission merchant to take the water off the cattle and prepare them for shipment. About two hours after that time one of the same men that bid him 13 cents came along and asked him if he was going to sell them to him. He said, "No; I can not afford to take the price." He said, "I have an order for that class of cattle since bidding on them, and I am trying mighty hard to buy them." He said, "No; I do not think it would be of any use for you to buy them, because you bid me so much less than I expected to receive. I think it would be useless to talk trade further." He turned around and said, "If you want to sell your cattle to me at 14.50 cents a hundred, you can do so." That was 1.50 cents more than anyone would bid a few hours before that time. He sold him the cattle. He went home and made a like shipment to Buffalo, N. Y., within 10 days and sold them for 17.25 cents a hundred. I am not saying that the packers were wrong in that instance, but if we had somebody to find out why that great variation in values from a given market out West to a final market in the East, it would be of some consequence not only to the packer, in my judgment, but also to the producer. There are other instances that I could relate to you here; case after case.

Mr. TINCHER. Mr. Mercer, you have had a great many instances. You told me of an instance of your experience with a speculator buying some of your own cattle. I wish you would put that in the record.

Mr. MERCER. I will be glad to do that in just a moment, as soon as I finish on the packer end of it.

I say that there are instances, case after case, that could be presented to you, perhaps, as to where the market condition in Chicago this week might be $2 a hundred higher than in Kansas City on the same identical cattle. For instance, a man will ship to Chicago who is not wise of the condition, and he will take even a dollar a hundred less than he was offered for the same cattle the week before in Kansas City. Those are absolute conditions, and no one, I think, will undertake to refute that statement. That is a common occurrence, a common happening in the marketing of the live stock of this country in our section. I am talking only of the country that I know about. I do not know so very much about the Chicago market, but I do know of the cases in Kansas City, not only from the buying part but the whole transaction, because I am there every few days and keep in close touch with Kansas City, Wichita, and St. Joseph. I have known the same identical cattle to sell in Kansas City 50 or 75 cents a hundred higher or lower, to the same identical firm, if you please, than they brought in St. Joseph, and vice versa, and I say what the producer is interested in and is trying to bring about is a more level keel of values. Whatever there is to this it ought to be gone into so thoroughly until we understand and realize what the conditions are and then prepare to meet the conditions, but as it is now we can not get information from the packer as to why these things are. He says that he does not know. I will say nothing further on the packer end. I do not want to take this gentleman's time.

With regard to the stockyards, this whole Nation and all of these gentlemen know my position on the stockyard question. I say that the stockyard is not a place for anybody to control or operate except the producers of live stock. The packer has no more right to have a controlling interest in the stockyards of this country than I have a right to have a controlling interest in his packing business or operate his packing business. It is a producers' market. Understand me, I do not say that the packer should not own or could not own part of these yards—I do not know but what it would be to the advantage of the yard if he did own a part, because he naturally is interested in this business—but for him to have the control of it, to have it understood that he monopolizes it, that the men that weigh the cattle that he buys are paid by him, is wrong in theory and is calculated to produce nothing but suspicion on the part of the producer. Therefore the great necessity in this instance is to have the stockyards of this country controlled and controlled by a governmental force. This bugaboo about their being put out of business and all that bunk is nothing but bunk.

The CHAIRMAN. Is the principal objection to the packers, in particular, owning or controlling the weighing in the yards, and holding up the stockmen?

Mr. MERCER. I would not think so.

The CHAIRMAN. Do they control the scales?

Mr. MERCER. They have it within their power to do that, but as I said in the beginning, I think most of us are a good deal alike. To connive or scheme or plan to hold my cattle over here in the yards for some reason or other until they shrink a whole lot, I would not suggest, Mr. Chairman, that I thought the packers guilty of that. Of course, some of the lawyers might be guilty of that, but I do not think the packers would be.

The CHAIRMAN. I wanted that in the record.

Mr. MERCER. That is my position. I do not think that the packers would scheme or connive to do that, although it is in their scope and power to do it by reason of their entire control.

The CHAIRMAN. What have you to say about the allotment of sections or pens in the yard to the commission men?

Mr. MERCER. I think that it goes without saying that through life some of us have more influence with people we do business with than others. A strong commission firm or a man who is well liked by the manager of the stockyards would probably get some little preference in the allotment of his yarding facilities. I should say that that would be the human-nature side of it, not that I know any of the facts. I never heard a commission merchant that I know of complain very much about that. That is not a material proposition, however.

The CHAIRMAN. When once allotted are they held indefinitely?

Mr. MERCER. I think that is the rule; it is out our way. There are so many things that enter into the management of the stockyards that give the management an undue advantage over so many things that enter into the trade.

The CHAIRMAN. Have you heard complaints of the charges, aside from the fee?

Mr. MERCER. Yes; I have heard complaints.

The CHAIRMAN. Are there very many?

Mr. MERCER. Not particularly many complaints, but here is the proposition, we do not know. We think that we ought to have a tribunal that will let in the light upon this proposition and determine what is reasonable and what is not reasonable. We, as producers, do not know. We have the surplus gross earnings, we can calculate them by taking the receipts annually at the yard, but there are so many things and charges that enter into a stockyard company that a man would have to know what the costs were and have an absolute accounting business to understand what the earnings are. So far as their charges are concerned, there is no complaint particularly, because the producer does not know, he does not complain from the fact that he does not know when he has a right to complain.

The CHAIRMAN. That question was raised by the Department of Agriculture about two weeks ago and that is why I am trying to get the information into the record.

Mr. MERCER. I would state this for the information of this committee. I have had occasion since this move was on to divorce the stockyards through a decree of the Federal court, or whatever court it might be, to have presented to me by the men in Kansas City, if the time should come, a proposition to own or buy part of the stockyards in our State, and it was clearly set forth by the statement of the accountants that the little concern earned from 8 to 11 per cent annually on its investment, or its capital stock. If that be true, the great stockyards of Chicago, Kansas City, Omaha, and St. Louis are evidently making fine dividends upon a reasonable stock interest in those concerns. I am not conversant with the actual earnings of the stockyard companies other than I just recently investigated as to the book earnings of the concern in our own State, but I say, Mr. Chairman, that we want to know; we are asking you to provide means that we do know and that will harm no man.

Now, as I said, there are so many things that enter into it that they can, by reason of their force of management, do about as they please. For instance, we have a peculiar condition in our State at Kansas City. We have an imaginary line running right through here [indicating]. I think there are 127 acres in the stockyard holdings and about 50 acres are on the Missouri side and the balance on the other side, the Kansas side. Apparently of later years they have shifted all their transactions of business over on the Missouri side. Our statute specifically provides, it did rather, because it was recently changed, a short time ago, what the yardage charges of live stock at the market centers should be. The Kansas City management have increased that charge. We will say that the statute provided for a charge of 25 cents per head and not exceeding 100 per cent on the fee. They increased their charge to 30 cents a head and have made the charge over on the Missouri side. We do not like it to be there. We have told them so many times as forcefully as we could that if they are entitled to it we will be glad to give them 30 cents, but we want to know and we will continue that fight until we do know. On the other hand, when that law was passed corn was sold in our State for 35 cents a bushel and at 100 per cent would not be anything great, but when it got to $1.50 a bushel 100 per cent meant a great deal. So, we submitted the proposition to the stockyard management, that we did not think the 100 per cent should be added.

Mr. Hulings. What does that signify?

Mr. Mercer. Just double the price that you could buy corn for, $1.50 a bushel in the market at Kansas City and they could charge me as a shipper 30 cents for feeding it to my stock, and the same thing applies to all classes of feed.

Mr. Hulings. 100 per cent increase on the market value of the grain?

Mr. Mercer. Whatever the cost.

Mr. Young. If you will permit me, why did you find it necessary or proper to allow the stockyard people just twice for the feed what they had to pay for it? Did it involve anything other than the feed?

Mr. Mercer. No, sir; it did not involve anything, only the feed and the feeding of it.

Mr. Young. The service?

Mr. Mercer. The facilities and service they rendered; it was a statute.

Mr. Young. That is a misnomer, because it is not only for the feed, but it is for the feed and giving the feed to the stock?

Mr. Mercer. Yes, sir; I do not want to be misunderstood, because the producer——

Mr. Young (interposing). Your statute was passed on the basis of allowing so much for the corn, if you used corn, and then so much for services in feeding the corn out to the stock, and then covering the services and the value of the feed by 100 per cent?

Mr. Mercer. No; I do not think you could consider it that way, because the 25-cent yardage charge is supposed to pay for a lot of the service.

Mr. Young. I was just wondering.

Mr. Mercer. It was a law passed in 1897—maybe before that—by the Kansas Legislature, and that was the schedule of prices permitted the yard companies to charge on the live-stock markets in the State of Kansas: a yardage charge was fixed, and they fixed the price on grain at 100 per cent increase, if they wanted to do it. They do not have to, if they do not want to. They were permitted to charge in excess of what it cost them 100 per cent under our statutes. That does not exist; that statute was repealed.

Mr. WILSON. Who owns the stockyards in Kansas City?

Mr. MERCER. Who owns them? I can not answer the question who owns them.

Mr. TINCHER. The ownership of the Kansas City stockyards is all a matter of record, showing just how the stock is owned.

Mr. WILSON. In the Kansas City yard?

Mr. TINCHER. Yes, sir.

Mr. MERCER. I would answer that question by saying that I make the statement that the Morris interests control them. It has been disputed, but I make that statement here to-day, and I think I can produce the records to show it.

Mr. BORDERS. There is nothing here in the record as to exact holdings. The stock of the Kansas City stockyards is dealt in largely on the exchange. The stock is changing hands constantly, Mr. Mercer. The fact is that a great majority of that stock is held by Boston people. I will be glad to read into this record, as was read into the Senate record, the exact holdings and the capital-stock owners of the Kansas City stockyards.

The CHAIRMAN. This would be the proper place for it.

Mr. WILSON. Yes; the proper place.

Mr. ANDERSON. There is the ownership in 1916. I do not know whether the present ownership is the same as the ownership in 1916.

Mr. BORDERS. The stock is changing hands every day; it is dealt in on the exchange.

I want to state here—and when the statement is submitted it will bear out the fact that the Morris interests own a very small portion of the stock of the Kansas City stockyards, but I will give you that exactly from the book—the amount of capitalization, the holders of the stock, and the stock market value.

The CHAIRMAN. And also the capitalization?

Mr. BORDERS. Yes, sir.

I want to ask one question, with your permission: Is it not a fact that the Kansas City stockyards never availed themselves of this Kansas statute to charge 100 per cent?

Mr. MERCER. Never did?

Mr. BORDERS. Yes, sir.

Mr. MERCER. No, sir; that is not a fact.

Mr. BORDERS. It is a fact.

Mr. MERCER. No, sir; that is not a fact. They charged right up to the 100 per cent quite recently. I think they charged 100 per cent, and I think I can produce the record.

Mr. BORDERS. I did not mean recently, because we all know the conditions recently as to labor and all that sort of thing; but I mean until recently the Kansas City stockyards have never availed themselves of the Kansas statute.

Mr. MERCER. They never go beyond it; that is all. I think, as a general rule, they get absolutely that rate; but they keep within the law, or did until they located their headquarters in Missouri.

Mr. YOUNG. I want to get a little more information about the stock when it reaches the stockyards. First, you have the pens into which they are loaded. That is a service that the stockyards render. Then, the stockyards undertake to feed and water the cattle. That is another service they render. Then, there is the labor to administer the feed. What other services do they render?

Mr. **Mercer**. Well, I will just illustrate. Let us suppose that you are a stockman——

Mr. **Young** (interposing). Let us make a concrete case. Say that I ship to Kansas City 500 head of steers.

Mr. **Mercer**. Yes, sir. They are set on the track this morning by the railroad. The stockyard company's employees go to the cars—and, of course, the commission merchants help them; that is a uniform arrangement—but the employees of the stockyard company help to unload the cars into what they call unloading chutes, tributary to the unloading pens. The stockyard company's representative comes and takes these cattle—there is usually only one of them in our market—he goes ahead of the steers around the yard and allots the pens. He opens the gate, and the commission company usually have their employees behind driving them along into the pens. The next service of the stockyard company is to bring around a supply of hay—whatever your firm orders for them—and then the employees of the stockyard company feed those cattle in the pens with hay. Then, the service out in our market ceases until the cattle are sold and driven up the alleys to the weighing scales. They are driven onto the scales by the employees of the commission merchant, and after they are weighed they are taken charge of by the stockyard company and go to their destination, whether the packer or some other trader, or wherever the destination may be in the yard. That is the service rendered in handling your lot of cattle.

Mr. **Tincher**. Please tell him who weighs them.

Mr. **Mercer**. I said that the employees of the stockyard company weighed them.

Mr. **Young**. That is my 500 head of cattle. They have been sold?

Mr. **Mercer**. Yes, sir; and passed out of the yard.

Mr. **Young**. Can you tell me, if you know, what I pay to the stockyard company for the services rendered?

Mr. **Mercer**. If I had a bill here I could show you, but I can not tell. When you get your account sales you will see 25 cents a head charged up on your cattle for yardage charges, and you will see so many tons or hundred pounds, whatever the amount was, of hay charged up in your account sales for the amount of hay fed. That is what you pay for. There is nothing entered into your account sales as to the weighing master or for the employees that drive your cattle or who take them from the unloading car and chute, because that is included in the 25 cents yardage charge, that being the service charge and the hay is supposed to be charged with a profit for feeding that hay.

Mr. **Young**. Have there been complaints that they have been charged too much for the service rendered?

Mr. **Mercer**. They have complained that they pay too much for feed. There has not been much complaint for many years as to the yardage charge, although I absolutely know nothing about whether that is a reasonable charge or not. We have never been able to find out.

Mr. **Young**. Whether the charge is reasonable or not depends very largely on any particular cattle that go through the yard. Twenty-five cents a head might be a tremendous charge in a yard like Chicago but not so much in a yard like Fort Worth.

Mr. Hulings. Would not $125 be a pretty stiff charge for unloading 500 head of cattle and driving them to the chute and to the pens?

Mr. Mercer. As a charge, I would answer, yes, but we have to take this into consideration. They have a large investment there in the equipment and facilities to handle those cattle. The stockyard facilities, of course, cost a lot of money and it costs a lot of money to keep them in good condition. I do not know, but I suppose they base the yardage charge upon getting a good return upon their investment for the equipment they furnish in the handling of the stock.

Mr. Borders. It is only fair to put in there—if you will permit me, I do not care to interrupt you, but I know that you want to be fair.

Mr. Mercer. Yes, sir.

Mr. Borders. When the cattle are brought into the yard there is the responsibility for those cattle as warehousemen with the stockyards. For instance, there is a fire, the responsibility is up to the yard. You know of the instance at Kansas City where we had a bad fire or two. There is that responsibility on the stockyards from the moment that the cattle are unloaded until they leave the custody of the yard, to which there must be some consideration given.

Mr. Young. Suppose that a fire should occur with my 500 head of cattle in the Kansas City yard and they were burned up, the stockyards company would be responsible?

Mr. Borders. That would depend entirely upon the law as to warehousemen. If they are guilty of lack of reasonable diligence in looking after the fire, they are liable.

Mr. Young. The law is the same as would apply to a warehouseman in that case?

Mr. Borders. Yes, sir.

Mr. Young. Who would be liable?

Mr. Borders. There is no question.

Mr. Young. If you were guilty of negligence in connection with the fire?

Mr. Borders. Yes, sir; or anything of that sort. I do not want to take up the gentleman's time.

Mr. Young. Do you carry insurance to protect yourselves against anything like that?

Mr. Borders. Some stockyards do and some do not. We have had such experience at Kansas City, as Mr. Mercer knows, that we now carry insurance there.

Mr. Hulings. Suppose it was an act of God, the stockyards were struck by lightning and the cattle were burned up, could they hold you responsible?

Mr. Borders. I hardly think so.

Mr. Tincher. It is the law covering warehouses?

Mr. Borders. That is generally it.

Mr. Mercer. I am glad you raised that question. I want to be fair, and I think you know it. I do not think it is understood by our people that the Kansas City Stockyards Co. is responsible for the loss of cattle in their yards, and I do not think that you ever pay for any.

Mr. Borders. Oh, yes.

Mr. Young. In the case of a fire?

Mr. Mercer. Or anything else. I know of hundreds of cases, Mr. Borders, where there have been steers lost by the Kansas City Stockyards Co. and it has been shown that it was through their negligence, but they never paid for a steer. On the other hand, let me say this to you, I think I am warranted in challenging you before this committee, where you have ever paid a dollar for cattle destroyed in the Kansas City yards by fire.

I want to say to this committee, furthermore, that there is a charge made here that the shipper that goes to the yards has an insurance on his own cattle. I think it can be borne out by the commission merchants here that the responsibility of the company does not stand sponsor for a loss of that kind.

Mr. MARSH. Mr. Chairman, may I ask the witness a question?

The CHAIRMAN. Mr. Mercer, do you prefer to finish your statement?

Mr. MERCER. I am about through the packer end.

The CHAIRMAN. Very well.

Mr. MARSH. May I first suggest that Mr. Borders put in his statement the profits of the Kansas City yard, what the original capitalization was, and what stock dividends have been paid out of surplus earnings to increase the capitalization and to cut down dividends? I think that would bear on the question of the charges.

The CHAIRMAN. I presume it would.

Mr. MARSH. There was an effort made to get a committee of 15 to cooperate with the packers in trying to straighten out some of these differences?

Mr. MERCER. Yes, sir.

Mr. MARSH. And the packers wanted that enacted into legislation?

Mr. MERCER. I do not want to say that the packers wanted to do that. Let me explain that situation to this committee. There was an offer made. I want to say, in deference to the packers and every man engaged in the business, that there was an absolutely unanimous agreement on the part of everybody who entered into that that it would have no force whatever with any individual connected with it as related to legislation. Why that is brought up by men who come here to testify, that this arrangement was a ruse on the part of the packers to get away from legislation, I do not know. I want to say that he carried out his agreement, so far as that is concerned. I am saying that in deference to the packers.

Understand, I am not here to testify for the packers; I am representing the producers, and we might just as well be fair and be men. There was never any arrangement of that kind made. I want to say to this committee emphatically that it was discussed in the conference, but any discussion of an adjustment of these differences would not prevent any member of this conference or of this committee taking any course it might want to take in reference to the legislation.

Mr. MARSH. I did not mean to imply what Mr. Mercer has suggested. Would you suggest that control of the stockyards should be kept out of the packers' hands, merely by requiring them to be divorced from ownership? How would you do it?

Mr. MERCER. I do not know whether you understood me. It is immaterial to me how you get about the business of owning the stock interest in the stockyards, but I want a Government force of the kind and character that will regulate and control that industry as a public utility. That is all it is. Even if we did not accomplish anything else, the question of publicity that it carries with it would render untold service to this industry.

Mr. MARSH. Is it not true that most of the stock raisers in Kansas and Missouri want the packers to be divorced from ownership and leave it to the stock producers?

Mr. MERCER. Want the packers divorced?

Mr. MARSH. Want the packers divorced from the stockyards?

Mr. MERCER. No; I am not in touch with that class of people. In our State they do not say very much about being divorced from the yards. They say that they want the control of the stockyards taken absolutely out of the hands of the packers, so that they will have nothing to do with it only to go there and buy stock as you go into a store and buy your merchandise.

Mr. MARSH. How can the control be taken out of the hands of the packers as long as they own the stockyards? May I read this testimony?

Mr. MERCER. I think Congress can do most anything, if they want to.

Mr. YOUNG. We will never get through with this investigation if we go over testimony time and time again.

Mr. MERCER. I want to cite another instance of a shipment of live stock of four cars, from Cedar Point, Kans., consigned to the Kansas City Stockyards. I have not the exact dates, but the account sales can be given in which it was found on arrival at the yards that a disease known as scabies existed—that part of the herd was infected with that disease. The commission merchant—and this is what I want to bring in—the commission merchant sold these cattle to Cudahy Co. after the Government had taken seven or eight head out and put them in another pen. The commission merchant neglected to sell the seven or eight head of cattle to the buyers during business hours or along in the morning, and along in the afternoon he called up this buyer and told him, "I have seven head of the same kind of cattle, infected with the scabies, and I should like for you to take those."

The buyer had put on good clothes, and he said, "I do not care to go back on the market any more. We do not need them, anyhow. I will have to hold them over." The commission man was anxious to get rid of the cattle, and finally he said, "Let me send them over. You want them, because we know that they will kill out just the same as the others." By the way, the disease scabies does not affect the meat or the animal; it does not hurt the food product at all. He said, "All right, send them over and I will kill them." Now, that original shipment brought 13.50 a hundred. The owner was there and knew all about this transaction and was satisfied that it probably was all right. In a few days he got his account sales. It did not say anything about it—just seven head of cattle; so much money. He figured it out on the basis of the average of the others, and it was less than half per hundred pounds of what the original herd brought. I had this case up myself, as our organization requires our officers to adjust claims wherever it is possible to do so. We were never able to get that claim adjusted. The packing house claimed that they allowed for the cattle just what they killed out and also stated that the other cattle dressed out a certain percentage, but that this particular cattle did not dress out, and they allowed just what they were worth.

And the commission merchants, of course, were helpless; they could not do anything. There was evidence as shown to us in the shape of absolute and positive statements by men who are judges of cattle and who have seen these cattle in feed lots, and some of the commission merchants on the yards, claiming that there could not be a possible difference of anything over 10 or 15 cents a hundred on the cattle thrown out and classed as scabs and that were killed subject. Now, they were classed on the account sales as "killed subject." There is no law, either Federal or State, that calls for the classification of live stock affected with mange as "killed subject." They were not ordered out, were passed for food. I say, if we had some official power to appeal to—to go into a case of that kind—so that we might adjust that kind of claim, it would be a very great relief to our people. That man had all his earnings and perhaps a lot of borrowed money in those four loads of cattle, and seven head of cattle cut in two, while not a great deal to some people, meant a great deal to him, as I happen to know personally, as he lived in my own county.

Now, gentlemen of the committee, there are hundreds of such cases occurring which occasion loss to our people and great dissatisfaction, and if we might only have the right kind of tribunal to take up these matters at the time and grant us relief it would mean a very different situation. We have gone to the packers with these cases. I have talked with the packers themselves—I do not talk much with their attorneys, as they argue too much for me—but at the same time I have talked with the packers, and they said if we had some arrangement whereby such matters could be attended to at the time they happened, it could be adjusted.

Mr. HULINGS. What is the matter with your local courts?

Mr. MERCER. Well, now, that brings in the law question again. Supposing a man had taken a case of this kind and gone into court, what kind of relief would he have gotten in court? And even if he went into court, the costs would mean more than perhaps the relief granted would amount to. So there is no use of considering the question of going into court with a matter of this kind; but these irregularities should be righted without unnecessary expense to the owner of the property involved. Gentlemen of the committee, that is my own judgment about this matter, and I believe it to be the judgment of cattle producers generally.

I might say to you gentlemen that there are cases—case after case—of this kind. I will not weary this committee by reciting them, unless you wish me to do so; but I am sure that in your experiences many of you have heard of them.

Now, I wish to pay my respects to the commission merchants, even if one of them has classed some of us as Trotskys. I have been shipping cattle to market for 30 years, as I said a while ago, and I want to say this, that there has been a great improvement in the conduct of the commission business. We have a better class of men, a higher grade of men, engaged in the business at this time. It used to be that if a man failed out on the farm or in some other line of business, and if he had any knowledge whatever of the live-stock business, he would go to a market center, rent a room, get a desk, and go into the live-stock commission business—without any responsibility behind him. And in this connection, there is one good thing about the exchanges, that they have their membership fee up so high now that that kind of a duck can not get in. So he is somewhat eliminated by that means as well as others.

But I want to say to you gentlemen that in my humble judgment the commission business is overdone, and that there are a good many in the business to-day who have no reason for being in it—but they are not those men who are coming down here before your committee. They do not send such men down here to present matters to your committee. I think some form of regulation in that regard would be a great advantage to the cattle producer.

I do not think the commission merchant is any different from anybody else. I think the great majority of them try to serve their patrons. If they did not, of course their patrons would quit them. But they are like all the rest of mankind—they have their favorites and they transact business along that line, and it is not the big shipper who comes here and testifies before you that the situation affects—it is the man who ships one car of cattle or perhaps a little more. He may consign his cattle to a certain commission merchant to-day, and if the result of the transaction does not satisfy the shipper, he will never go back to that commission merchant again, but inasmuch as he has only one carload of cattle, or maybe two carloads of cattle, it is immaterial to the commission merchant where he goes. And there are thousands of that kind of men producing live stock to-day in this country.

Now, gentlemen of the committee, as to the live-stock producer's connection with the trader—and I am not against the trader. Just how we should handle that matter, I do not know, but we have built up the system that we have to-day. We have got to revolutionize the whole thing if we are to change it materially, and therefore I say if we have a controlling force that will harm no one who is doing right, who regulates these things, I see no necessity of changing the system. But I think there is a necessity of weeding out some of the undesirables. For instance, we have, I think, about 15 or 20 more men or more commission companies, I will say, in Kansas City than we need. And I do not say by that that I am in favor of eliminating competition, but there are, I think, something like seventy-odd—and I would like to know the exact number, but anywhere from 60 to 80—commission firms in Kansas City. There were only seven of those firms in the year 1918—and I have not the data on the 1919 transactions as yet—but there were only seven of those firms that handled over 1,000 cars of live stock, and the other sixty-odd firms handled from 1,000 cars down.

Now, gentlemen of the committee, there are 350 traders that belong to the Traders' Exchange at Kansas City. These are facts that I can substantiate because they are of record. A few of the larger traders handle perhaps 60 per cent of the entire trading business on those yards. Now, we have the other fellows, or at least many of them, who are a charge on the business. We have no way to eliminate them. We do not want to eliminate them if they are a necessity, but we would like to know whether they are a necessity or not. The fact that we are paying 2,000 men at Kansas City to maintain the live-stock markets means nothing more nor less than a charge on the business of the producers; they pay all this. And for a man to come here now and say, gentlemen of the committee—and I think I speak advisedly, because as far as my own section is concerned I know, although I may not know just how these Chicago people understand the case, for I know but little about the Chicago market—but for a man to come here and say that there is no demand on the part of the producers of this country and of the farmers of this country for some sort of change in the marketing arrangements of his live stock is preposterous, ridiculous, and absurd. There is no question about that.

I will say to you gentlemen that if Mr. Brown, whom I am personally acquainted with and know well, if he will furnish me a list of his patrons I will guarantee to him that in reply to a letter that I will send them they will answer they are in favor of some sort of regulatory legislation in connection with this entire question. And I say that without knowing Mr. Brown's customers at all. But for any man to get up here and say that there is no demand on the part of the producers of this country for something of this kind, for some sort of regulation of the handling of the live-stock industry, of some kind of regulatory legislation, I know, and I speak advisedly, that it is a ridiculous proposition, because I know better, and they do, too.

Mr. Hulings. If there were too many doctors in a town would you have the Government discharge a lot of them?

Mr. Mercer. I do not think that is the same situation; but I would if the doctor business were overdone, if they had a monopoly of the situation.

Mr. Hulings. You would not do that with the lawyers, would you?

Mr. Tincher. There is no doctor's exchange that forces an industry to support surplus doctors, like there is a live-stock exchange which forces people to support surplus commission men, is there?

Mr. Mercer. No; and it is an entirely different proposition. So far as the lawyers are concerned, I think there ought to be some restriction placed on them, and they are good fellows, too.

(At this point, 11.15, there was a call of the House and several members of the committee left the committee room to go over to the House and answer to the roll call.)

Mr. Wilson. Mr. Chairman, there is a call of the House. I would like to hear these statements, and I wonder if it would not be better to recess at this time.

The Chairman. Are you about through, Mr. Mercer?

Mr. Mercer. I am just about through, Mr. Chairman. I want to refer to one more matter an then I will close.

The Chairman. Will you be ready to resume your statement, Mr. Weld?

Mr. Weld. I am ready to resume whenever a quorum of the committee can be present. I would prefer not to resume without that situation.

Mr. Wilson. I would like to be present, Mr. Chairman, and I imagine it will be impossible for us to get back here, then, before 2 o'clock.

The CHAIRMAN. We might save some time by hearing Mr. Mercer further now. Mr. Weld may testify at 2 o'clock.

Mr. WELD. That would suit me, Mr. Chairman.

The CHAIRMAN. Very well, we will permit Mr. Mercer to finish his statement, and then the committee will stand in recess until 2 o'clock.

You may proceed, Mr. Mercer.

Mr. MERCER. I just want to relate a circumstance as to the trading on the yards, and I will illustrate it by giving you a concrete case, as to which practice there are a lot of objections. As stated by Mr. Brown on yesterday the traders are competitors, and, of course, I know that he did not mean to convey the idea to this committee that commission merchants sold fat stock to traders because they wanted to sell it to them, but the commission merchants sell such stock to a trader because he pays more than the packer would pay at the time. That is why he would do it. I know that to be a fact, and I am sure that Mr. Brown meant to convey that idea to you. But here is the proposition where we think there is an irregularity: Say the trader comes along and buys my cattle this morning. I may have one load. He sorts them and places them wherever he thinks they classify with others, or he may sell them as an entire load. Now, the concrete case I have in mind is this: And it happened several years ago but could happen even yet. I shipped six cars of cattle to the Kansas City market, three cars of which were steers and three cars of which were butcher cows.

My brother-in-law was connected with a commission firm that sold the cattle, and he sold my steers, and a man whom I know well sold my cows. Of course, I was very much dissatisfied with the cow sale. I stayed around a while and then I told them I was going home, and gave instructions as to my accounts sales, the placing of my money, and so forth, whatever was the usual custom. But I went up town and did not go home. The next day I went down to the market, and went down to those pens, and saw my same cows back in the same pens, and the same man was selling them. I said to him, "I thought you sold these cows on yesterday?" I do not know that I would have thought much more about it if he had not colored up quite a little, and his face colored up, and he said, "I did, but I am trying to sell them over for the man who bought them, and am bid 15 cents lower than I sold them for on yesterday." Well, I did not think much about it for a little while, but just went on revolving it around in my mind, and finally I got to thinking about it a little more seriously again, and I thought, what does all this mean? So I went up to the commission firm, and told the manager that I did not consider such business good business, and that even though my brother-in-law was connected with the firm I would never ship to that firm another lot of stock; and I never have.

Now, gentlemen of the committee, if a commission merchant does take a shipment and sell them over again—and they may have a rule at this date, and Mr. Heineman would know, that would prevent a man from taking them again from the same man to whom he sold them and sell them over again—but I claim that that is bad practice, even bad business. Even if they should sell them to a trader they should let him consign them to some other firm instead of taking them back and selling them over again. They sell on commission and they sell on the yard traders' stock for about less than half what they sell our stock for. I think they sell for the traders for about 25 cents a head, or that is what they used to sell stock for for traders.

So, gentlemen of the committee, there are a lot of little irregularities that enter into the commission business that should be cured, and if there were some regulatory bureau or commission to handle the matter it would not exist. And it is almost beyond the possibility it seems to me for a commission merchant to get away from these things. If somebody would inaugurate a rule, some one who had authority to say what business methods should be established and followed, it would regulate the matter and cure many of these troubles, and we believe it would result in great benefit to the commission merchants as well as to the producers of cattle. Although I do feel this way about this matter, yet if there is anybody to be left out of this thing it should not be the commission merchant, because if there is anyone who should be the friend of the producer and looking after his interests entirely and protecting him against sharp practices and other things, it should be the commission merchant.

If there are certain conditions that we believe can be brought about by regulatory legislation to eliminate from the markets certain things, and help our business all round, and by which the commission merchant would be much freer to do things differently from what he does them now, we will be glad. I do not care what the commission merchant says about it; he is more or less at the mercy of the buyers who buy his product. And you take it on a majority of the markets of the West, where I live and about which I know, and the packer-buyers buy right up to 75 per cent to 80 per cent of the beef cattle sold. And that being the case, the commission men have got to put up with a lot of things that they would not put up with if they could be a little more independent. And the thing has grown to the extent, according to my mind, gentlemen of the committee, that if this Congress does not pass some regulatory legislation the next Congress will be asked to do it; and if they do not do it, I believe the time will come when there will be a Congress elected which will do it. And that is because this is like all other questions which are agitated and which produce unrest and dissatisfaction as you show up the situation—it has started and something must be done. And I have heard the packers say that this agitation has caused certain conditions.

Gentlemen of the committee, I want to say to you, in closing, that the packer is the greatest agitator of this proposition that exists to-day. He advertises through every newspaper, almost, in the entire country, and in connection with his advertising and in a great many of his advertisements he says we do not need legislation, and we should not have legislation, and yet he is talking about legislation all the time. He is the greatest agitator of the question there is to-day. So he can not accuse the producers of being agitators of this question at all. He is bringing the matter so forcibly before the American people through that channel that they feel there is something needed because he is saying it is not needed. And with all due respect to the packer—and I am personally acquainted with the most of them; I think they are all right men, and they are in their line of business—yet they do not know everything that goes on in their business, and with all due respect to them they are a badly discredited bunch among producers of this country.

Gentlemen of the committee, I thank you very much for listening to me, to what I have said to you, and I have tried to give you the facts as I see them.

The CHAIRMAN. And we are very grateful to you, Mr. Mercer.

Mr. ANDERSON. Mr. Chairman, since the ownership of the Kansas City Stockyards has come up, I would like to call attention to the table that is to be found on page 24, part 3, of the Federal Trade Commission's report, and which shows that in 1916, I think it is, out of $2,500,000 voting stock in the Kansas City Stockyards, Armour & Co. owned stock having a par value of $50,100, or 2 per cent——

Mr. BORDERS. Did you say Armour & Co.?

Mr. ANDERSON. Well, it says "Armour." I do not know whether it is Armour & Co. or not.

Mr. BORDERS. Do you know whether it is some widow lady or not?

Mr. ANDERSON. I do not know about that. I am only reading what is shown here.

Mr. BORDERS. Well, that illustrates here what is usually the situation.

Mr. ANDERSON. And this table shows that Swift had $5,300, or 0.2 per cent; and Morris $1,144,700, or 45.8 per cent; and Cudahy $50,000, or 2 per cent; and Wilson $35,400, or 1.4 per cent. I think Mr. Lightfoot said that that stock was owned by Mr. Wilson as a personal investment.

Mr. LIGHTFOOT. Yes, sir; but I do not know that he owns it now.

Mr. ANDERSON. In the same connection I wish to call attention to a letter which was addressed by Mr. Thayer to L. L. Bracken, Esq., secretary Federal Trade Commission, which is as follows:

NEW YORK, *January 21, 1918.*

L. L. BRACKEN,
Secretary Federal Trade Commission,
Washington, D. C.

DEAR SIR: I am in receipt of your favor of January 12, and in reply I beg to say that I am the sole owner of the 100 shares Kansas City Stockyards Co. of Maine preferred stock referred to. Of the 6,191 shares common stock registered in my name 14 shares are owned by me, the balance having been indorsed in blank and forwarded to Mr. Edward Morris, of Chicago. The name or names of the beneficiary or beneficiaries are not known to me and I did not receive any consideration for making such assignment.

Very truly, yours,

EUGENE V. R. THAYER.

In connection with the table from which I read first I want to read the following:

The packer holdings appearing in this table include voting stock owned by the big packer families as well as stock owned by the packing companies. Except in the case of the Kansas City Stockyards Co., the table does not include a considerable amount of stock held by trusted employees; which stock, so far as ascertained, is not held either for the packer families or for the packer companies.

I read also in the footnote in reference to Morris ownership in the Kansas City yards:

Morrises secured more than 50 per cent of the stock (see p. 49). In 1917, so far as the commission was able to ascertain, the Morrises owned 42.6 per cent of the stock, and trusted employees 3.2 per cent.

I should also like to call the attention of the committee to the history of the Kansas City Stockyards Co., which is to be found on pages 43-49 of the Federal Trade Commission's report, and which I shall not take the time of the committee now to read:

(The matter referred to is here printed in full, as follows:)

The Kansas City Stockyards Co. of Missouri was organized in 1871 with a capitalization of $100,000. Up to 1887 its capitalization had increased to $2,500,000. In October of that year its capital was increased to $4,040,000, of which $1,515,000 was a stock dividend, $505,000 was new subscription. In 1890 a stock dividend of $404,000 was paid. In 1892 Armour was given a stock bonus of $500,000 and the real estate of the yards company was appreciated that amount. In 1907 a joint legislative committee of Kansas made the following statement in reference to the increase of the capitalization of the Kansas City Stockyards Co.:

"The records show that during 26 years of consecutive business the company paid on the capital actually invested in the business an average of 32½ per cent annually in cash dividends to stockholders and 34½ per cent in stock and real-estate dividends to stockholders, or a total of 67 per cent in dividends was paid each year for 26 years. At various times during the 26 years the company was recapitalized, and in each instance two shares of new stock were given for one of the old. This record also shows that hardly $2,500,000 has been paid by the stockholders in cash to the treasurer of the company; that the balance of the outstanding stock (or $5,000,000) is the capitalization of earnings, or the amount that the real estate is presumed to have increased in value during this time.

"The testimony shows that since the last reorganization the company has issued $1,500,000 in bonds, and during this time its capitalization has been raised $1,500,000, or to $9,000,000, and that the bonds are being retired and stock substituted in their stead."

By 1912 the Kansas City Stock Yards Co. had increased its outstanding capital stock to $8,160,000. Up to that time each of the Big Five had a little interest in the yards company, but their combined interest was comparatively small. At that time Edward Morris, sr., conceived a plan whereby he succeeded, at little cost to himself, in gaining control of the Kansas City stockyards property. His plan is fully set forth in the following letters which, October 24 and 30, 1912, passed between him and Kidder, Peabody & Co.:

OCTOBER 24, 1912.

Messrs. KIDDER, PEABODY & Co.,
115 Devonshire Street, Boston, Mass.

DEAR SIRS: I am proposing to organize a corporation under the laws of the State of Maine under the name of "Kansas City Stock Yards Co. of Maine," for the purpose of acquiring all or a substantial majority of the stock of the Kansas City Stock Yards Co. of Missouri.

The new corporation will have an authorized capital stock of $11,500,000, of which $9,000,000 par value will be preferred stock and $2,500,000 par value will be common stock; both the common and preferred shares to be of the par value of $100 each.

The preferred stock will be entitled to 5 per cent cumulative dividends, payable quarterly, the first dividend to be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation but will have no voting power, except in case of failure to pay two consecutive dividends on the preferred stock, in which event it shall thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. No mortgage or other encumbrances shall be placed upon the property of the new corporation without the consent of at least two-thirds in interest of the preferred stockholders.

I propose to offer to the stockholders of the Kansas City Stock Yards Co., of Missouri, the opportunity to exchange each share of stock which they own in the Missouri corporation for one share of the preferred stock of the new main corporation; and I propose to pay to each stockholder of the Missouri corporation, who elects to make such exchange, the sum of $10 in cash for each share so exchanged. This offer is to be conditional upon not less than 75 per cent in interest of the stockholders of the Missouri corporation exchanging their stock in accordance with this offer; provided, however, I may, at my option, make the exchange if a less number of stockholders elect to exchange their stock.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

Of the $2,500,000 of common stock to be issued by the Maine corporation, I propose to take and pay for $1,250,000 par value at $50 per share in cash, and will cause the remaining $1,250,000 par value to be offered for subscription at $50 per share to such of the stockholders of the Missouri corporation as elect to exchange their stock for preferred stock of the Maine corporation on the basis of one share of the Maine corporation for every seven shares of the Missouri corporation. Where the number of shares owned by any one individual is not divisible by seven, if the excess number of shares owned by him is four or more he shall have the right to subscribe for one additional share of stock. If the excess number of shares is less than four he shall have no right to subscribe in respect of the excess number of shares. I propose that the taking of this remaining $1,250,000 par value of common stock at $50 per share shall be underwritten, for which I propose to pay an underwriting commission of $62,500.

I desire to secure your services in procuring the consent of the stockholders of the Kansas City Stockyards Co., of Missouri, to the exchange of stock herein proposed, and if you will undertake the matter, I will pay to you the sum of $25,000 in case not less than 75 per cent in interest of the stockholders elect to make the exchange, or if I elect to make the exchange with a less percentage of the stockholders consenting thereto, and I will pay you in addition the sum of 75 cents per share for every share of the stock of the Missouri corporation which is exchanged in addition to the 75 per cent hereinbefore mentioned.

The proceeds of the common stock of the Maine corporation will be used by me for the following purposes:

To pay the sum of $10 to each of the stockholders of the Missouri corporation who elects to make the exchange; to the payment of the underwriting commission of $62,500; to the payment of your compensation, and to the payment of all legal and other expenses incurred in connection with the carrying out of this proposition, and the balance remaining will be paid into the treasury of the Maine corporation, so that the entire amount of common stock of the Maine corporation and the entire amount of preferred stock to be issued in the first instance will be issued as fully paid in exchange for the stock of the Missouri corporation which is exchanged in accordance with this offer, and in addition the net amount of cash remaining from the proceeds of the common stock which is to be paid into the corporation as hereinbefore stated.

The opportunity to exchange the stock hereinbefore provided for will remain open until December 2, 1912, unless the time for such exchange is extended by me.

If you undertake to arrange for the exchange of the stock on my behalf, I agree from time to time to provide you with such preferred stock of the new Maine corporation, such amount of cash and such amount of common stock of the new Maine corporation as may be required to be issued and paid to the stockholders of the Kansas City Stockyards Co., of Missouri.

If the foregoing plan should not be carried out because a sufficient number of stockholders of the Kansas City Stock Yards Co. of Missouri fail to consent thereto I will reimburse you for all legal expenses which you may have incurred in the premises.

Yours, very truly,

EDWARD MORRIS.

OCTOBER 30, 1912.

EDWARD MORRIS, Esq.,
Chicago, Ill.

DEAR SIR: We acknowledge the receipt of your favor of October 24, relative to our acting in connection with the proposed exchange of stock of the Kansas City Stock Yards Co., of Missouri, for stock of the Kansas City Stock Yards Co., of Maine, and will act for you in the matter upon the terms stated in your letter.

We understand that since your letter of October 24 was written, the following modifications have been agreed to by you:

First. Stockholders in Kansas City Stock Yards Co., of Missouri, shall have the right to subscribe for fractions of a new share of common stock and the right to subscribe to fractions of the new shares shall be assignable.

Second. As we are to act as depositary, we are to be paid the usual fees of a depositary in addition to the other compensation provided for in your letter of October 24.

Third. If not less than 75 per cent in interest of the stockholders of the Kansas City Stock Yards Co., of Missouri, have deposited their stock with us on or before December 2, 1912, you will, at our request, extend the time for making exchanges of stock for a period of not exceeding six months.

Very truly, yours,

——— ———.

October 31, 1912, Kidder, Peabody & Co. issued to the stockholders of the Kansas City Stock Yards Co., of Missouri, the following circular:

BOSTON, MASS., *October 31, 1912.*

To the stockholders of the Kansas City Stock Yards Co. of Missouri:

The directors of your company have unanimously approved the following plan for the exchange of stock in your company for the stock of a proposed new company to be known as the "Kansas City Stock Yards Co. of Maine," having a capitalization of $11,500,000, divided as follows:

Common stock (par value of $100 each), $2,500,000.

Preferred stock (par value of $100 each), $9,000,000.

Entitled to 5 per cent cumulative dividends quarterly, the first dividend to be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation, and will have no voting power except in case of failure to pay two consecutive dividends on the preferred stock, in which event it will thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. Provision will be made to the effect that no mortgage or other encumbrance shall be placed on the property of the Maine corporation except with the consent of at least two-thirds in interest of the preferred stockholders.

Stockholders of the Kansas City Stock Yards Co. of Missouri may exchange each share of stock in the Missouri corporation for one share of the preferred stock of the new Maine corporation and $10 in cash, and such of the stockholders of the Missouri corporation as elect to accept this offer may subscribe to one share of the new common stock of the Maine corporation at $50 per share for each seven shares in the Missouri corporation owned by them and deposited.

Rights to subscribe for new common stock will not be assignable, except that rights to subscribe to fractions of one new share may be purchased or sold so as to enable the holder to subscribe for one full share.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

We mention that the entire issue of common stock has been subscribed for and underwritten, payable in cash at $50 per share, which insures the successful placing of the common shares in case the present shareholders do not avail of the offer.

The cash proceeds of the common stock will be applied in the first instance to the payment of the $10 per share to be paid to the stockholders of the Missouri corporation, to the payment of an underwriting commission of 5 per cent on the $1,250,000 of common stock which is offered for subscription as above stated, and to the payment of the other expenses of carrying out the proposed plan, including the compensation of the bankers, and the balance will be paid into the treasury of the Maine corporation.

The entire amount of preferred and common stock of the new Maine corporation to be issued in the first instance will be issued as fully paid for the stock of the Missouri corporation, which is exchanged, and the cash to be paid into the Maine corporation as above stated.

The directors of the Kansas City Stockyards Co. of Missouri and the largest stockholders of that company have already agreed to deposit their holdings in exchange for the preferred stock of the new Maine corporation and to subscribe for the full quota of common shares to which they are entitled.

We inclose herewith form of consent to exchange of stock and subscription to common stock of the Maine corporation. Stockholders who desire to avail themselves of the opportunity to exchange their stock should sign the inclosed assent and forward it to the undersigned, together with their certificates of stock of the Missouri corporation, indorsed in the blank. They will receive in exchange therefor our negotiable receipt. Such of the stockholders as elect to exchange their stock and desire to subscribe for the new common stock should also fill out the subscription agreement.

Unless at least 75 per cent in interest of the stockholders of the Missouri company have deposited their stock for exchange with us on or before December 2, 1912, we may, at our option, be relieved from all liability hereunder by returning to the depositing stockholders the stock deposited by them.

In case the plan is declared operative we shall upon receipt of the stock of the Maine corporation, be prepared to retire our receipts, issuing therefor such an amount of preferred shares and such an amount of common shares in the Maine corporation, plus balance due in cash, to respective depositing shareholders as receipts call for.

No charge will be made to depositors.

Kidder, Peabody & Co.

Accompanying and printed as a part of the above circular was the following statement:

"We, the undersigned, directors of the Kansas City Stock Yards Co. of Missouri, having carefully considered the offer of Kidder, Peabody & Co., set out in their circular under date of October 31, 1912, and being unanimously of the opinion that it is for the best interests of our shareholders to accept the same, have agreed to deposit our shares (except qualifying shares) and have subscribed to such shares of the common stock of the Kansas City Stock Yards Co. of Maine as we are entitled to, and we recommend the same action on the part of all stockholders.

"Charles F. Adams.
"Charles F. Morse.
"Walter Hunnewell.
"Francis L. Higginson.
"Eugene V. R. Thayer.
"C. Minot Weld.
"Frank H. Damon."

Some of the stockholders of the Missouri company objected to relinquishing their proportion of control of the yards property. Below is a sample of Kidder, Peobody & Co.'s reply to such objectors:

November 29, 1912.

John A. Chapman, Esq.,
Agent, 1212 Chicago Stock Exchange Building, Chicago, Ill.

Dear Sir: Acknowledging your letter of November 27, and replying categorically to your questions, we are informed by interests identified with the board of directors.

1. The assets of the Maine corporation in the beginning will consist of the deposited stock of the Kansas City Stock Yards Co. of Missouri and some cash in bank derived from the sale of common stock. The stock of the Missouri corporation deposited in exchange for stock of the Maine corporation will, we understand, be transferred to the Maine corporation.

2. You are correct in stating that each seven shares of the old company is to have the right to subscribe to one share of the common stock of the new company, and that this provides for the issuance of slightly more than one-half of the proposed issue of common stock of the new company. The balance has been sold at $50 per share on the same terms to new interests, which the management firmly believe will stimulate the business and make it certain that the property will earn a sufficient amount to insure dividends on the new preferred and common shares equal at least to the rate of dividend you are receiving on your present holdings. They inform us at the present time that they have heretofore earned a 6 per cent dividend on the stock, except that for the six months ending June 30, 1912, the earnings were $30,000 less than the amount of dividend paid. Since that time the earnings have been showing a little better.

3. The only basis on which a depositing shareholder can subscribe to the new issue of common stock is that outlined in our circular, namely, one share of common for every seven shares of old stock deposited.

4. The cash proceeds of the common stock—$2,500,000 at $50 a share—amount to $1,250,000. The first charge of $10 a share to the present outstanding shares of the Kansas City Stock Yards Co. of Missouri amounts to some $880,000, the

second charge (an underwriting commission of 5 per cent to underwrite approximately one-half the common capital to be offered to the depositing shareholder, amounting to about $1,250,000 par value) amounts to $62,500. In addition to that our counsel fees, bankers' fees, and expenses incident to deposit of the stock, it is expected all of this is accomplished that approximately $250,000 would be paid into the treasury of the Maine corporation.

5. Regarding the position of a nondepositing stockholder, a stockholder in the old company is, of course, under no obligation to deposit his stock, but the management believe that under the proposed arrangement the old stock represented by the new preferred will be on an absolutely permanent 5 per cent basis, and the stockholders who avail themselves of the privilege of taking the new common stock to which they are entitled will eventually receive more than their present dividends on the old stock in dividends on both classes of the new stock and be able to dispose of their new shares (should they so desire) in a broader market than they have had for the old stock. Should these conditions materialize, there may be some question as to the future basis of exchange for the stock of the old company.

6. We are informed that the reasons for this proposed exchange are similar to those in respect to the Chicago Junction and Union Stock Yards Co., of Chicago, namely, to cement with the company large interests active in using the property and insuring their being domiciled at this particular point for the transaction of their business in the future as in the past.

Very truly, yours,

Kidder, Peabody & Co.

In accordance with Morris's plan the Kansas City Stock Yards Co. of Maine was incorporated on December 26, 1912. By April 5, 1913, through Kidder, Peabody & Co., the holders of $7,930,400 of the common stock of the Missouri company had exchanged their holdings for $7,930,400 of the preferred stock in the Maine company plus $793,304 in cash. In this exchange the holders of the Missouri company's stock could have bought $1,132.9090 (one-seventh of $7,930,400) of the common stock of the Maine company for $566,450 ($50 per share), but they actually bought only $1,055,900, for which they paid $527,950 ($50 per share). For its service in this matter Kidder, Peabody & Co. was paid $39,328.

Subsequent to April 5, 1913, there was an additional $61,100 of the common stock of the Missouri company exchanged for the same amount of preferred stock of the Maine company plus $6,110 cash. This made the outstanding preferred stock of the Maine company $7,991,500, and left $168,500 of the common stock of the Missouri company yet unacquired by the Maine company. This remaining $168,500 common stock of the Missouri company was bought for cash by the Maine company, for part of which it paid $125 per share.

Edward Morris and others bought $1,444,100 of the common stock of the Maine company for $722,050 ($50 per share), which, together with the $1,055,000 of stock given in exchange for stock in the old company, brought its outstanding common stock up to $2,500,000. On May 1, 1916, the Kansas City Stock Yards Co. of Missouri was liquidated and its property was taken over by the Kansas City Stock Yards Co. of Maine. The bonds of the old company were assumed by the new company.

Thus the Morrises succeeded in gaining control of the Kansas City Stock Yards Co. It is known that Edward Morris personally bought $1,250,000 of the common stock of the new company (50 per cent of the total voting stock) at a net cost of $562,500—he paid $625,000 and received an underwriting fee of $62,500. Morris & Co. also received some of the common stock in the new company by exchanging its holdings in the old company. This gave the Morrises control of the new company.

The list of the holders of the common stock of the Kansas City Stock Yards Co. of Maine furnished the commission by the company as of June 30, 1917, disclosed very little direct holding of the stock by the Morrises. Practically all the Morris holdings stood on the books in the names of others, such as E. V. R. Thayer, of New York; R. A. Hitchings, of Boston; and Martin H. Foss, of Chicago. The commission was able to find only $1,065,800 (or 42.6 per cent of the total) of this stock accredited to the Morrises, so it is doubtful if all the Morris holdings were identified.

From the viewpoint of the yards company the reorganization increased the outstanding capital stock $2,331,500—from $8,160,000 to $10,491,500—and placed less than $250,000 cash in the company. From the $1,250,000 which was paid for the common stock of the new company was deducted: The $799,414 paid to the holders of stock in the old company, who exchanged for preferred stock in the new company; the organization expenses of the new company as well as the Morris $62,500 underwriting commission; the $39,328 Kidder, Peabody & Co. fee; and the $185,000 or more paid for the stock in the old company, which was bought by the new company.

I want to say in that connection that I hope when the statement is made of the ownership of the stockyards here at our hearing there will be a statement put in showing the real ownership of the shares of those yards.

Mr. MARSH. May I read one statement bearing out the suggestions I made:

In October of that year its capital was increased to $4,040,000, of which $1,515,000 was a stock dividend, $505,000 was new subscriptions. In 1890 a stock dividend of $404,000 was paid. In 1892 Armour was given a stock bonus of $500,000, and the real estate of the yards company was appreciated that amount.

Mr. BORDERS. You do not think the Kansas City Stockyards are overcapitalized, do you?

Mr. MERCER. No; I would not say that.

Mr. MARSH. Mr. Mercer, how much in stock dividends do the farmers get?

Mr. MERCER. Nothing.

Mr. RAINEY. Mr. Mercer, you suggested with reference to agitation against legislation that the packers were responsible. Do you know of any advertisements that the packers have had in the newspapers with reference to opposition to legislation before this agitation was started by the producers and shippers for some legislation of this kind?

Mr. MERCER. No; I do not.

Mr. RAINEY. So that really the producers and shippers are responsible for the agitation for legislation?

Mr. MERCER. No; I say not, absolutely not. And if this committee wants me to tell them how that started I would be glad to do it, but it will take me about five minutes. But I say that the producer is not responsible, Mr. Rainey, for the move for this legislation.

Mr. RAINEY. I understand that you recently passed a law in Kansas regulating the packers there?

Mr. MERCER. Yes.

Mr. RAINEY. And you have a State commission, that is appointed?

Mr. MERCER. Yes; a live-stock bureau, it is called.

Mr. RAINEY. After that law in Kansas has been passed, and is now in force, you suggest National or Federal legislation. Suppose some legislation is enacted and a Federal commission appointed, and suppose such commission decides on sanitary regulations with reference to packing houses, and suppose that in your State your bureau has different regulations, then there is a conflict between the commission appointed by the Federal Government and the commission appointed by the State of Kansas, what would be your idea of the situation then?

Mr. MERCER. You ask what would be my idea?

Mr. RAINEY. Yes.

Mr. MERCER. Why, to settle it in the best way possible. And if there is a conflict between State and Federal regulations as to handling a matter of that kind of course I would say this: That it could hardly be possible that a State regulation could interfere with a Federal regulation as to interstate matters, if it were shown to be an interstate matter.

Mr. RAINEY. Well, suppose it would.

Mr. MERCER. Then the State ought to stop and let it alone. I think the Federal Government is bigger than any State.

Mr. RAINEY. That is all.

Mr. BORDERS. I would like to ask Mr. Mercer one question: I understand your position is that from the standpoint of human nature the people who buy should not generally do the weighing. Is that your theory of it, that the packers should not be interested in the stockyards?

Mr. MERCER. You misunderstood me if you thought I said the packer should not be interested. He should be interested. But he ought not to have the management or control over the matter. It is a market for him to go to and buy his products.

Mr. BORDERS. Do you think that ought to be managed by the producers?

Mr. MERCER. It ought to be managed by the producers under regulation.

Mr. BORDERS. All right. Now, let me ask you, and this is only one more question that I do want to ask: Do you think that the producers will come forward and avail themselves of the opportunity to buy the yards, the interests of the packers in those yards?

Mr. MERCER. Well, Mr. Borders, I would answer that question by saying no.

Mr. BORDERS. You think they will not do so?

Mr. MERCER. I do not believe it is possible to finance the purchase of the stockyards of this country through the farmers. Therefore I am very much opposed to the arrangement made by the packers and the Attorney General in decreeing that the packers should be divorced from them.

Mr. BORDERS. You do not favor such a law. This Anderson bill and practically every other bill we have had has proposed to require the packers to be divorced from the ownership of the stockyards.

Mr. MERCER. How was that?

Mr. BORDERS. To be divorced from ownership in the stockyards.

Mr. MERCER. I have tried to make myself plain and clear, at the beginning of my statement, that I did not consider that that made any difference.

Mr. BORDERS. You do not favor that?

Mr. MERCER. No; I do not favor legislation divorcing the packer from having any holding or any right to buy stock of or any part in a stockyard; but I do advocate a law that will prohibit him from managing and controlling stockyards. If he wants to invest his money in stockyards all right. I have the right to invest my money in them now if I wish to do so.

Mr. BORDERS. Certainly.

Mr. MERCER. I suppose it would be impossible to make it so that anyone could not buy stock in anything of that kind, any shipper or other person.

Mr. BORDERS. I just wanted to know your position on that matter.

Mr. ANDERSON. As to the question of scales: Do the stockyards own the scales now?

Mr. MERCER. Oh, yes.

Mr. ANDERSON. They are not owned by the packers, the stockyard scales?

Mr. MERCER. Yes, sir; or the stockyards own them. You get me in deep water when you ask me who owns them. I told you that we do not know who does own them.

Mr. ANDERSON. I am trying to get at the real ownership. The stockyard company owns and controls the scales?

Mr. MERCER. I say they do.

Mr. ANDERSON. And, of course, the packers own the stockyards, and to that extent they own the scales?

Mr. MERCER. To make myself clear, I say, and I think I can prove it, that the Morris packing interests control the Kansas City stockyards and that the Cudahy packing interests control our Wichita stockyards and that the Swift interests control our St. Joe stockyards. If I am wrong in my statement I will stand corrected, but I make this as a positive statement.

Mr. ANDERSON. Your idea, I take it, is that the weighing of stock ought to be done by an agency which is disinterested as between the seller and the buyer?

Mr. MERCER. Yes, sir; I do.

Mr. ANDERSON. We had a very similar situation in Minnesota at one time in the buying and selling of grain at terminal elevators. The weighing there now is all done under State supervision, and I think that State supervision is satisfactory to everyone concerned.

Mr. HEINEMANN. May I say right there that the State of Minnesota has a State weighmaster in stockyards now?

Mr. ANDERSON. Yes, sir; I understand that that is under a new law passed at the last session of the State legislature.

The CHAIRMAN. Does it apply to all yards?

Mr. HEINEMANN. Yes, sir; in Minnesota.

The CHAIRMAN. How about Chicago?

Mr. MERCER. There is no such law in Illinois.

The CHAIRMAN. How about Missouri?

Mr. MERCER. There is no law of that kind in that State.

The CHAIRMAN. Who manages the weighing in those States?

Mr. MERCER. The stockyard employees do that.

The CHAIRMAN. Then, if the yards are controlled by the packers they furnish their own weighmasters to do their own weighing.

Mr. MERCER. Yes, sir; they do.

The CHAIRMAN. Should that not be corrected?

Mr. MERCER. I say that it should be.

The CHAIRMAN. But is it not up to the States to do that?

Mr. MERCER. Well, it will take a long while to get all the States to do those things. It ought to be a uniform proposition; it is such a uniform business all over the country that it should be handled by a commission a good deal like the Interstate Commerce Commission, or some commission of that kind. They do not have much difficulty with State authorities in working out their problems.

The CHAIRMAN. After all, there is a line of demarcation. Some things are for the States to do and some for the Federal Government?

Mr. MERCER. Yes.

Mr. VEEDER. May I state that in Minnesota, where there is a statute providing for weighing and where the weighing is done under State supervision, the weighmasters are appointed by the State?

Mr. ANDERSON. That is true.

The CHAIRMAN. My contention is that they ought to be appointed by the State or somebody outside of the packers or even the producers who are interested. I do not think either one should control the matter.

Mr. RAINEY. Do you hear many complaints about short weights in stockyards, from either shippers or producers, at this time, Mr. Mercer?

Mr. MERCER. Not in recent years. It is very seldom that you hear of it now.

Mr. RAINEY. Does not the personal representative of the shipper, the commission man, follow the cattle from the time they are received until the time they are sold and weighed, and is there to see that they are properly weighed?

Mr. MERCER. Well, that is usually the custom; yes—that is, if the shipper is not along himself. Of course, if he is along, he is interested enough in his property to follow it and see it weighed.

Mr. RAINEY. And if the shipper is not there his personal representative, the commission man, is present. And if the commission man is a man of integrity and unquestioned honesty he sees that the shippers get full weight?

Mr. MERCER. That is his business; yes, sir.

The CHAIRMAN. Is it customary for the commission man to oversee the weighing of cattle?

Mr. MERCER. How is that?

The CHAIRMAN. Is it customary for the commission man to be present and oversee the weighing?

Mr. MERCER. Yes, sir; it is customary for his representative to be there. He is not the yardman or the salesman, but he is the representative of the commission man. He follows them up the alley, and when the time comes to drive them on the scale he is there, and when they are driven on the scale he goes into where the beam is, and he says: "Cattle from So-and-so to So-and-so weighs so-and-so." And naturally—although it depends altogether on the caliber of the boy—but naturally he will watch the weighing of them.

But I will say this, that down at the Kansas City stockyards a few years ago, just to illustrate what happens once in a while, there was a bunch of weighmasters and a bunch of traders on the yard that connived in the matter of weights. For instance, say, your cattle weighed 25,000 pounds; they called them out at 24,000 pounds. And then when they weighed them back to sell to somebody at the other end they called them out a thousand pounds the other way. That went on for a while, and I do not think there was ever but one of them prosecuted, and I think some of them are doing business on those yards to-day.

Mr. ANDERSON. Are automatic recording devices used in connection with the scales at stockyards?

Mr. MERCER. I think so now. I think the Kansas City stockyards are well equipped now in that respect. They had been rebuilding the yards, and they have fine scales, and I have not heard any complaints as to weighing there recently.

Mr. BORDERS. Do you think there has been any complaint as to the weighing of cattle at the Kansas City yards and those other yards you are more familiar with?

Mr. MERCER. Not recently, not that I know of.

Mr. BORDERS. That is what I thought.

Mr. MERCER. But I say these things do happen.

Mr. BORDERS. Oh, taking the run of human nature they may happen anywhere at some time.

Mr. HEINEMANN. I want to say that the automatic recording device is installed in almost every yard in the country now.

Mr. MERCER. I think that is right. As far as I know, it is.

The CHAIRMAN. Who looks to the balancing of the scales to see that they are right?

Mr. MERCER. The weighmaster. And I have followed many a bunch of my own cattle. When I used to ship I made it a point to see my own cattle weighed, although I did have this slipped over on me. I was one of the parties who had it slipped over on me in three or four instances.

Mr. BORDERS. You referred to the miscalling of weights, in saying that only one party was prosecuted, you think?

Mr. MERCER. Yes, sir; and I think the stockyards company ought to have made all that shortage of weights good.

Mr. BORDERS. Well, you spoke of prosecutions; what about that?

Mr. MERCER. Well, as to that part of it, I am not complaining of the packers, but am complaining of the stockyards company.

Mr. MARSH. Is there any short weighing of cattle by not buying them until several hours after they have been watered?

Mr. MERCER. Repeat your question, please.

Mr. MARSH. Do not they often weigh them several hours after the cattle have been watered—holding them before they put them on the scales?

Mr. MERCER. That is not the fault of the packer.

Mr. MARSH. Whose fault is it?

Mr. MERCER. It is the fault of conditions the day you are there. The packer buys cattle, and it is the business of the commission merchant to get the cattle over the scales as quickly as possible. In ordinary runs of cattle he is not delayed. But in glutted times and in certain seasons of the year he can not get them weighed for four or five hours. There is no scheming done by the packer, or anything of that kind. We do not charge them with that. We do not think anyone should charge the packer with that. His buyer may come down at 9 o'clock, and he does not know whether they are weighed in 15 minutes or in 5 hours. But we have made complaint about that, and we think we were justified, about the stockyards not having the right kind of employees to get cattle away from the scales.

Mr. MARSH. Is it to the advantage of the packer not to have them weighed for several hours after they have been watered?

Mr. MERCER. Oh, yes; because cattle shrink from the time they start until they are weighed.

Mr. BORDERS. Since Mr. Marsh has brought that question up, we might as well get the facts about it: Isn't it the general custom that they weigh as much water to the packer as possible?

Mr. MERCER. Every bit they can get to him.

Mr. MARSH. But they do not succeed in getting much to the packer, do they?

Mr. BORDERS. Since Mr. Marsh brought that up, I wish to bring out the true situation.

Mr. MERCER. It is the system.

The CHAIRMAN. Is it not a fact that deductions are made for the water?

Mr. MERCER. They have a system, I think, of doing that.

Mr. MARSH. Isn't the price fixed on filled weight?

Mr. MERCER. Yes, sir.

Mr. MARSH. Then anything that delays or prevents that full weight does rob the producer?

Mr. MERCER. Yes, sir; if he is responsible.

Mr. MARSH. Well, who is responsible if he is not?

Mr. MERCER. Well, I want to be as fair to every man as I possibly can, because I will tell you what I know, whether it suits or does not suit. I do not think the packer schemes at all to get lightweight or shrinkage on the cattle. I do not think he concerns himself about it, however. But I do say this, that the producer has a system of getting has cattle filled, and some of them think they are wise in getting as big a fill as possible. On the other hand, this buyer over here for the packer is so much wiser than the producer is that he buys those cattle on the knowledge of what they did fill. So the question of fill has but little to do with it, because it is give and take as much as possible, and we all concede that the packer has the best of it, for he has the wisest man on his side.

Mr. MARSH. Do you agree that the commission man should be subject to the regulation and control of a commission, as provided in the Anderson bill?

Mr. MERCER. The commission merchant, do you say?

Mr. MARSH. Yes.

Mr. MERCER. I do not think it would hurt him a bit. I think it would be a benefit to him.

The CHAIRMAN. As to the question whether or not certain cattle will take on a bigger fill than others, that is taken into consideration by the buyer when the stock is sold?

Mr. MERCER. Yes, sir.

The CHAIRMAN. The commission man and the packer, of course, take it into consideration?

Mr. MERCER. The commission man of course always tries to get the fill and says as little as possible about it, which is human nature.

The CHAIRMAN. You have been a buyer in the country; you take the fill into consideration?

Mr. MERCER. Yes, sir.

The CHAIRMAN. And I suppose that is done at Chicago?

Mr. MERCER. Yes, sir; it is one of the elements of the business. You take the same steers——

The CHAIRMAN (interposing). You pay more for stock in the country without the shrinkage than when sold on full weight?

Mr. MERCER. Yes, sir; I should say so, and I have bought a good many loads of them.

The CHAIRMAN. That is all.

Mr. MERCER. Gentlemen, I thank you.

STATEMENT OF MR. OSCAR G. MAYER, SECRETARY AND GENERAL MANAGER OF OSCAR MAYER & CO., CHICAGO, ILL.

Mr. RAINEY. Please give your name and address.

Mr. MAYER. Oscar G. Mayer, 1241 Sedgwick Street, Chicago.

The CHAIRMAN. You may proceed with your statement.

Mr. MAYER. Mr. Chairman and gentlemen of the committee, I suppose I should preface my remarks concerning this bill and this legislation by stating what type of concern I represent: Oscar Mayer & Co., of which I am secretary and general manager, and my father is the founder and president, is a comparatively small meat-packing concern located in Chicago, not in the Chicago stockyards. The business was founded about 35 years ago by my father, who is alive to-day and still very active in the business, and was founded primarily as a distributing business supplying the smaller retail merchants and delicatessen concerns in Chicago with their meat products—fresh meats, hams, bacon, sausage, and lard.

From a very small business we have had a slow but steady growth—our business has expanded considerably and amounted during the last two years to an annual business of between $10,000,000 and $12,000,000.

During practically this entire time we have not had slaughtering facilities of our own. Our slaughtering has been done for us in the past 10 years by an independent slaughtering company located in the Union Stockyards, and of which our concern and other independent outlying packing concerns are the principal stockholders. And through that concern we have bought our hogs on the Chicago markets and have had them slauhtered for us on what might be termed a commission basis.

Mr. ANDERSON. Is all of the business of that concern of that character or does it slaughter on its own account?

Mr. MAYER. It slaughters on its own account for its own business, and to the extent to which it has business it disposes of the live stock which it slaughters on its own account.

Mr. ANDERSON. What is its volume of business?

Mr. MAYER. I do not know definitely what its volume of business was last year, but it has increased considerably. I think Mr. Weld's chart showed the Western Packing & Provision Co.'s curve has risen pretty well during the last few years.

Mr. ANDERSON. Do they handle cattle as well as hogs?

Mr. MAYER. Yes, sir; but to my knowledge they do not slaughter cattle on commission, or at least very few if any, and not any for us.

Mr. ANDERSON. Have you any idea how large their cattle business is?

Mr. MAYER. No, sir; I could not give you definite figures on the Western Packing & Provision Co.'s cattle business.

The CHAIRMAN. Do they charge you a certain price per head for hogs?

Mr. MAYER. Well, the charge is not a money charge. They retain the offal—the interior of the hog—for their services for slaughtering the hog. And, of course, they get whatever profit or value is in the by-products as their price for the service.

Mr. ANDERSON. What is included in the offal? Does that take in the feet?

Mr. MAYER. Offal takes in the entrails—the killing lard, caul, and so on, and not the feet.

Mr. ANDERSON. Any part of the head?

Mr. MAYER. No, sir.

The CHAIRMAN. Will you state specifically what is taken out for their services?

Mr. MAYER. Simply what I have stated.

The CHAIRMAN. Just those things.

Mr. MAYER. Yes; and, of course, there are considerable by-products involved in that operation. In the first place, there is a certain amount of prime lard which is rendered from the edible fats of the viscera. Then there are casings which are simply viscera put into marketable condition; then whatever grease comes from the unedible portions of the viscera. Then whatever fertilizer remains after these materials have been rendered out.

Mr. ANDERSON. My recollection, although it has been a long time since I went over that part of it, is that the Food Administration said the edible offal of a hog is about 5 per cent; am I right about that?

Mr. MAYER. The edible offal of a hog?

Mr. ANDERSON. Yes.

Mr. MAYER. Well, I am not in position to give you definite figures on that, Mr. Anderson. It all depends on what you consider offal. If you consider the killing lards, and so on, as offal, the situation would be different from what we ordinarily term as "offal."

Mr. ANDERSON. All right. You may go ahead with your statement.

The CHAIRMAN. Do they chill them for you?

Mr. MAYER. They buy, drive, kill, chill, and deliver.

The CHAIRMAN. Kindly state that again.

Mr. MAYER. I will repeat. They buy, drive, kill, chill, and deliver the hogs to us in half carcasses, and from that point we, who are located on the north side of Chicago, work those hog carcasses up into various finished products, which we then distribute to our local trade. Our business is confined mostly to Chicago and its environs. I should say that about 70 per cent of our products are distributed within the limits of Chicago and suburbs, including such places as Gary and the South Chicago manufacturing districts. Over 30 per cent is distributed in the more outlying sections of the country, and a certain portion of our business eventually finds its way over on the other side of the water, in Europe. But that, of course, is of the type of less perishable products, such as dry-salted meat and lard, and is sold on single orders. We, of course, do not consider ourselves in position to do distributing business on perishable meat at any distance from Chicago. That is a function for which we are entirely too small. It is a thing which must be done by people having bigger distributing facilities than we have.

The CHAIRMAN. Is this slaughtering open to all? Can anybody take stock there to the plant of the Western Packing & Provision Co. and have it slaughtered on the same terms?

Mr. MAYER. Well, the Western has done no slaughtering for outside concerns as far as I know. It limits its business to handling live stock for its stockholders-members, and doing a general packing business of its own.

The CHAIRMAN. Are there any plants in Chicago open to the general public to do slaughtering for them?

Mr. MAYER. I am sure I do not know, Mr. Chairman, whether there are any in Chicago or not. I know that there are some similar packing concerns, which will do commission killing of cattle, like the Peerless Packing Co.; but I do not know to what extent, because I am not acquainted with their operations.

The CHAIRMAN. Suppose some market man should place an order for a carload of cattle or hogs and wanted to have them slaughtered in Chicago, could that be done?

Mr. MAYER. I am not certain about hogs. I believe that they could be slaughtered there, but I am not certain. I know that the Peerless Packing Co. very probably handles cattle, and there are other similar beef concerns in Chicago who would probably handle cattle for them.

Mr. MARSH. If I understand you, Mr. Mayer, you made a statement to this effect: That the concern is a small one, which you represent, and can not do distributing any distance from Chicago. I wonder if you would say why; is it because of lack of refrigerator cars?

Mr. MAYER. Well, I am speaking primarily of fresh meats. I mean fresh carcasses, fresh pork. No; it is not a fact that we have no refrigerator cars, because we get all the refrigerator service we need. But it is a fact that with fresh meats you have to handle them promptly from the cooler to the refrigerator cars, and then very promptly from the refrigerator car after arrival at destination or they will deteriorate to such an extent that your business is seriously hampered. You have to be well prepared to handle products of that kind, especially in the summer. And in the case of long-distance shipments unless you are well prepared to take care of them from the beginning to the end of the trip you are liable to suffer losses.

Mr. MARSH. Then you are at a disadvantage as compared to the big packers in distributing over a wide range?

Mr. MAYER. Yes; on fresh meats.

Mr. MARSH. To the detriment of your business?

Mr. MAYER. No; we manage to distribute all our fresh meats within a radius of a few miles of Chicago. That city contains about 3,000,000 people, and the demand can take care of much more than we can produce.

Mr. MARSH. Suppose there were a lot of small plants, instead of a few big ones; would they all suffer under the handicap of inability to do what the big packers can do?

Mr. MAYER. Unless there was some special type of machinery by which they might distribute their product, they would be up against the difficulties I have mentioned.

Mr. MARSH. And it would be pretty hard for them to do that?

Mr. MAYER. It would depend, in the first place, on whether they are located on the railroad track or not. We are not located on a track, to start with. That has been a handicap in our case in building up a far-away distributing business on fresh meats.

Mr. RAINEY. Mr. Mayer, would you prefer to finish your general statement before you are interrupted?

Mr. MAYER. Well, I would like to go forward with it, Mr. Congressman.

Mr. **Rainey.** Mr. Chairman, Mr. Mayer would prefer to proceed with his general statement.

Mr. **Anderson.** I would like to ask a question right at this point, Mr. Rainey, if there is no objection.

Mr. **Rainey.** None whatever.

Mr. **Anderson.** You smoke your own meats?

Mr. **Mayer.** Yes, sir.

Mr. **Anderson.** What you get from the Western Packing & Provision Co. is the carcass?

Mr. **Mayer.** The carcass, in halves—split in two.

Mr. **Anderson.** Is a large proportion of your business in the products of the hog as fresh meat, or smoked and pickled meat?

Mr. **Mayer.** I think that the proportion of our products sold fresh is just about the same as that of every other packer. We sell our pork loins, spare ribs, and shoulders—in fact, everything we can—fresh; and the rest of our meats must, necessarily, go into cure or be rendered into lard or manufactured into sausage.

Mr. **Anderson.** All right. You may go ahead with your statement.

Mr. **Mayer.** Having given you this survey of our own particular business, gentlemen of the committee, I must add that last November, feeling that it would be desirable for an expansion of our business and for the rounding out of our business into a complete packing proposition, we felt it would be to our interest to have slaughtering facilities of our own. So we acquired at Madison, Wis., the packing house which had formerly been conducted by the Farmers' Cooperative Association, and which had been lying idle for about a year. We have that packing house in operation now since about the end of November, 1919. And we have gone into the business of buying there in the country from the shippers and farmers who bring their live stock to us, buying stock at first hand, and are operating there an abattoir business. And we are attempting to distribute as much of those products as we can locally, that always being the most desirable market for any packer. We ship the surplus to Chicago. Of course, anything which is shipped to us from our Madison plant is not purchased in Chicago, but is shipped to our Chicago distributing plant from our own packing plant and is handled in Chicago and sold to the trade there.

Mr. **Anderson.** I gather from what you say that you do not buy anything on the stockyards direct.

Mr. **Mayer.** Yes; we buy whatever surplus hogs we need for the capacity of our Madison plant, which is a small packing house.

Mr. **Anderson.** I gathered from the statement you made before, and I want to clear it up if I am mistaken about it, that the purchasing of hogs was done by the Western Packing & Provision Co. for you.

Mr. **Mayer.** Yes.

Mr. **Anderson.** That is, part of the service which they render to you?

Mr. **Mayer.** Yes. But what I stated previously was as to the situation up to the end of last November. We bought all our hogs in Chicago up to last November.

Mr. **Anderson**. When you say "we" bought them, do you mean that you bought them direct or through the Western Packing & Provision Co.?

Mr. **Mayer**. We bought our hogs through the Western Packing & Provision Co. up to last November. But now we buy only the surplus hogs, over 300 or 400 a day, that we handle in Madison, from the Western Packing & Provision Co.

Mr. **Anderson**. This plant that you bought at Madison was the plant of which a man by the name of May was manager?

Mr. **Mayer**. I do not remember his management of it.

Mr. **Anderson**. You do not?

Mr. **Mayer**. Oh, I believe at one time that he did have charge of it.

Mr. **Anderson**. My recollection is that he testified that some of the Big Five, or all of the Big Five, took turns in selling their products cheap inside his territory, which resulted in his going out of business. I do not suppose you know anything about this.

Mr. **Mayer**. No; I do not know anything about that.

Mr. **Rainey**. What has been your experience at Madison with reference to the Big Five?

Mr. **Mayer**. We are working up a volume of business at Madison which naturally we expect to be able to do, inasmuch as a local packer has a certain advantage in the distribution of fresh meat which must be conceded by anybody over others who operate in that market.

Mr. **Rainey**. Do you find competition from the Big Five up there?

Mr. **Mayer**. Oh, yes; we have competition up there from the Big Five and from a great many smaller packers.

Mr. **Anderson**. In buying as well as in selling?

Mr. **Mayer**. Well, of course, at our own small stockyards there is no competition. Shippers send their live stock, if they want to sell it, to us. Of course, they have the option of selling their stock to us at Madison or shipping it to Milwaukee or shipping it to Cudahy at Cudahy, Wis., or to Chicago.

Mr. **Anderson**. What is the basis on which you buy, the Chicago price less freight?

Mr. **Mayer**. Yes, sir. We feed and water up there, and we buy our hogs on as close a basis as we can get them, based on Chicago less freight.

Mr. **Rainey**. Since you have been there have you found any unfair competition from the Big Five?

Mr. **Mayer**. No, sir.

Mr. **Rainey**. Have you found them trying to undersell you or trying to put you out of business?

Mr. **Mayer**. No, sir.

Mr. **Rainey**. Do you figure that you exist up there by the sufferance of the Big Five?

Mr. **Mayer**. I should not say so.

Mr. **Anderson**. You have not had a chance to suffer very long, have you, up there?

Mr. **Mayer**. No; we have been there only three months and a half, and up to the present time the plant has been making satisfactory progress.

Mr. **Marsh**. Could the Big Five put you out of business if they wanted to?

Mr. **Mayer**. Well, I should say they could. And the Twentieth Century Limited train could kill 100 people if it were derailed in front of a station. I think that is possible, too. But I do not believe there is any intention on the part of the big packers to do that, alongside of whom we have been doing business for 35 years, and from whom we have been buying and to whom we have been selling for 35 years. I do not believe there is any intention on their part to do us any particular harm. At least in my own experience I have not observed it.

Mr. **Rainey**. How long have you had practical experience with the Oscar Mayer Co.?

Mr. **Mayer**. My father founded the business 35 years ago, and my experience with the business has been during the 10 years since I left school.

Mr. **Rainey**. In the 10 years since you have been associated with your father have you found the Big Five using any unfair tactics toward your concern?

Mr. **Mayer**. No, sir.

Mr. **Rainey**. Have you found them trying to put you out of business?

Mr. **Mayer**. No, sir.

Mr. **Rainey**. Have you found a healthy competition during your 10 years' experience, with the Big Five?

Mr. **Mayer**. Plenty of competition from the Big Five and from all other packing concerns operating in our territory.

Mr. **Marsh**. Is the Western Packing & Provision Co. connected with any one of the big packers?

Mr. **Mayer**. No; not in the least.

Mr. **Veeder**. Did you hear Gen. Ryan's testimony, given here the other day?

Mr. **Mayer**. Yes, sir; I was here.

Mr. **Veeder**. Do you remember that he testified his concern put at least four of the big packers out of business in Cincinnati?

Mr. **Mayer**. Yes, sir.

Mr. **Veeder**. And had reduced the other one to a small position as compared with its previous position?

Mr. **Mayer**. I heard the general say that.

The **Chairman**. You may proceed.

Mr. **Mayer**. I want to tell the committee what I conceive to be the nature of our business from my experience in it. Of course, as I have already stated, Mr. Chairman, our business has not been until recently a complete packing business. I can speak only for ourselves and for myself, and my experience in this business during the past 10 years, and, of course, from what my father told me before I entered the business. Now, gentlemen of the committee, our business is one which requires the most constant attention. Every feature of the business must have direct supervision from some one responsible, not not because we have not good men, but we have always figured that it was necessary for one of us to be on the job on all the time. It not only requires constant attention but it involves a good deal of anxiety. There is no question about that. It is because so much capital is involved in the packing business. We are large borrowers of money. We have to borrow money in great quantities in order to finance the business, especially during the period of accumulation in the winter time. We can not stop operations.

Even before we had a slaughterhouse up at Madison we never found it advisable or possible to close down operations beyond a certain point. In spite of the fact that we were losing money on the hogs we bought, we had to keep going, because the force of men we have, old and faithful employees, must be kept going; and the overhead, and the large sales organization, comprising at least 50 men in and around Chicago; our plant must be kept going. In other words, we are compelled as distinguished from most other lines of business, Mr. Chairman and gentlemen of the committee, to continue, in spite of the fact that our raw material is being bought at distinctly higher prices than what the component parts of that raw material net us after they are made up and are sold.

Throughout every year that I have been in this business we have gone through several sweats. It is a thing that seems to be inherent in the packing business, and is at the bottom of the feeling of anxiety and uncertainty which every packer has to go through. A sweat I call an uncertain tone in the market; perhaps a considerable drop in the market, resulting in a decline in our inventories, sometimes amounting to millions of pounds, and resulting at the close of inventory period in a large loss, which may be a paper loss at the time, but which if one had to realize on the product at the time would mean a large actual loss.

That feeling of uncertainty and of anxiety is heightened by the fact that the margin in the business is exceedingly small.

In our little business, which has grown from a point about 10 years ago where we were doing a business of about $3,000,000 a year, to the present time where we are doing a business of between $10,000,000 and $12,000,000 a year—even in our small business our profits have ranged only between 1 per cent and 3 per cent on our volume of sales—which is the same, or just about the same I believe, that prevails throughout the packing industry.

Mr. Anderson. You do not make any more on the dollar of sales than the Big Five do, do you?

Mr. Mayer. I do not think we do. I believe that the profits of the big packers range somewhere between the percentages I have mentioned, Mr. Anderson.

Mr. Anderson. So that would rather indicate, wouldn't it, that there is no particular advantage to anybody in the tremendous volume that they have?

Mr. Mayer. Well, their profits are not any greater than ours.

Mr. Anderson. My question is, as to the general propostion of advantage in volume of business.

Mr. Mayer. Well, of course, I feel that the big packer fills a very important place in the economy of the packing business.

Mr. Anderson. That isn't in issue. Nobody is questioning that.

Mr. Mayer. Perhaps I misunderstood your question.

Mr. Anderson. I am trying to get at the basis for the assertion that the very large volume of business of some of the Big Five is an economic advantage from the standpoint of the country at large. Now, if their profits on the dollar of sales for their large volume of business is the same as yours there does not seem to be any great advantage to anybody in volume.

Mr. **Mayer.** Not so far as I can see, except from the standpoint of the necessity for widespread distribution of packing-house products, which we do not in any way attempt to satisfy. That involves a great deal more capital than our business has. It involves bigger facilities than our business provides. In our business, for example, we do not handle cattle—which, of course, runs into big money. We handle them to only a very small extent. That is in the hotel-supply end of our business. The big packer, of course, makes a part of his business—his business of large volume—that of handling cattle.

Mr. **Anderson.** It is difficult for me to determine whether the volume is an excuse for the distributing system or the distributing system is an excuse for the volume. In other words, we are told that they must have large distributing machinery because they have a large volume of business, and then we are told that in order to be able properly to take care of that volume they must take on groceries and everything else to keep their distributing machinery going.

Mr. **Mayer.** Well, I am not discussing groceries or unrelated lines. I spoke of the amount of capital involved in distributing from the raw material in the West to the finished product in the eastern section of the country, where the big consumers of meat products live.

Mr. **Anderson.** I am simply trying to get at the conclusion to be drawn from your general statement that your profits per dollar of sales were no larger than the profits per dollar of sales in the case of the Big Five. Pehaps you do not feel in a position to draw any conclusion from that as to the general situation.

Mr. **Veeder.** Would not the added freight rate and the added expense to the big packer in the distribution come in there?

Mr. **Anderson.** I do not think that would be a factor in the profits per dollar of sales, but it might be in the matter of cost.

Mr. **Weld.** Would not it be necessary to do a much larger volume of business than is done in case of those plants which confine themselves more or less to local markets when one attempts to perform service of selling in distant markets?

Mr. **Mayer.** Very considerably. We could not think of starting out generally in distant markets without capital.

Mr. **Weld.** I think if Mr. Anderson will think over that he will find it will really answer the question.

Mr. **Anderson.** I do not understand that it does.

Mr. **Weld.** That will answer your question.

Mr. **Anderson.** No; it does not answer my question. Here is Swift & Co. and Armour & Co., who are four or five times as large, we will say, as Cudahy or Wilson. If you have to have as large a volume as Swift & Co. has to stay in this business, then Cudahy and Wilson ought to have been out of the business long ago.

Mr. **Veeder.** What about Mr. Mayer?

Mr. **Anderson.** Yes; it seems to me your argument as to volume falls of its own weight.

Mr. **Veeder.** Has anyone said it was necessary to have volume in order to stay in the business?

Mr. **Anderson.** What kind of volume?

Mr. **Veeder.** Such as Swift or Armour has.

Mr. **Anderson.** Well, volume has been urged as justification for your extensive distribution machinery. Certainly argument as to volume has been made as a justification for the concentration of the industry.

Mr. BORDERS. For the utilization of by-products?

Mr. ANDERSON. Yes, sir.

The CHAIRMAN. Mr. Weld, I believe you gave the net profits of your company. How much was that per head in percentage?

Mr. WELD. Per head?

The CHAIRMAN. Yes.

Mr. WELD. Do you mean as to cattle?

The CHAIRMAN. Yes.

Mr. WELD. Last year it was a loss of 70 cents per head on cattle. The total profit on our business was about 7 per cent on the investment, or 1.15 cents on each dollar of sales. That is, on the total business.

The CHAIRMAN. You say there was a loss last year?

Mr. WELD. On cattle alone there was a loss.

The CHAIRMAN. What was the percentage a head?

Mr. WELD. Seventy cents a head loss.

The CHAIRMAN. And what was the percentage? I did not catch that. You have it figured up by percentage as to the loss per head of cattle?

Mr. WELD. I have not the loss figured up on the percentage basis.

The CHAIRMAN. What was your profit per head?

Mr. WELD. The average profit on cattle per head would be somewhere around $1 to $1.50 in the last two years. I have not that figured up exactly.

The CHAIRMAN. How about on hogs?

Mr. WELD. Well, I do not know. The average profit on hogs would probably be $1 or over a head. We showed that in reply to the request of the Federal Trade Commission for a series of years.

Mr. ANDERSON. I think Armour's statement filed with the Committee on Agriculture and Forestry, of the Senate, said it was a trifle over $1.

Mr. WELD. Somewhere around there.

The CHAIRMAN. What is the gross percentage, then?

Mr. WELD. On the total business the percentage of profit for Swift & Co. last year was 1.15 per cent on the sales, and a little less than 7 per cent on the investment.

The CHAIRMAN. What I am trying to get at is to compare your profit with the profit made by Mr. Mayer. He said his profit was from 1 per cent to 3 per cent. According to that, Mr. Mayer, you are making a larger profit than the big five are.

Mr. MAYER. About the same.

The CHAIRMAN. Mr. Weld, how do they compare? You have heard Mr. Mayer's statement.

Mr. WELD. Our average profit on sales has been 2½ cents on each $1 of sales during the last 10 or 15 years. This 1.15 per cent was extremely low; the lowest it has been for a great many years.

Mr. ANDERSON. 1919 was considered a bad year in the packing business, wasn't it?

Mr. MAYER. It was a very bad year in the packing business.

The CHAIRMAN. Mr. Weld, your average is about 2½ cents gross?

Mr. WELD. Yes, sir; but I will give you the exact figures later.

Mr. Anderson. My understanding is that the table you furnished the Senate committee showed 2.54 per cent.

Mr. Weld. Something like that; but if you include 1919 it will pull that down a little. That was not included in the testimony given before the Senate committee. It is probably less than 2½ cents on the average.

The Chairman. Mr. Mayer, how do your profits compare with those mentioned by Prof. Weld?

Mr. Mayer. They seem to be approximately within the same range. Mr. Chairman, shall I now continue my statement?

The Chairman. Certainly.

Mr. Mayer. The thing which has always struck me about our business, and I talk here only from my own experience, has been the take-out in cutting hogs, namely, the situation under which the packers very often cut hogs, month after month, at a loss; pay more for hogs than they can realize for the finished product. Of course, that portion of the hog which goes into the cellar is priced at the market at the time it goes down there. It is necessarily speculation whether we can realize enough on the appreciation of the market when that stuff is cured. to carry us through. In other words, it is an extremely hazardous operation which is indulged in by the packer, and which must necessarily be indulged in by the packer.

I know that during the past two years hogs have been cut for practically nine months of the year, showing a red figure at the time they had been cut. And yet this business had to be done simply on faith and on judgment. It is a business of faith. Each year when we start out, after we close our previous year's statement, we figure: Well, let us hope it will be a good year. We do not know it. I am unable to predict how this year is going to end in the packing business, except I think it is going to be a bad year. In the packing business I can no more predict the outcome than on anything else where there is practically no natural law to cover the situation. I can not tell you to-day, gentlemen of the committee, whether our business is going to be profitable from one month to the next.

And the nature of the packing business further requires very close personal control. It is a personal business. It is a business in which the people must have been, if not born, at least have had very long practical experience. It is a business in which personal decisions of great moment must be made constantly. That is the reason why, if you gentlemen will notice, the packing business is more than any other industry in this country held by families, and has remained in families because of the peculiar training which is necessary for the father to give the son before this business can properly be continued.

The packing business is inherently speculative. I wish to goodness the element of speculation and risk which is inherent in the business could be eliminated. But I know of no way to accomplish this. We have the phenomena of uncontrolled supply, and which we must take. We have the phenomena of uncontrolled demand, to which we must bow. And between these two factors the packer operates, and operates on an exceedingly small margin.

Now, gentlemen, for the reasons that I have gone into—because of the extreme sensitiveness of the business, and the great risks and uncertainties involved in the business—I say the thought that it is to be conducted under a license, which license is revocable, perhaps because of the act of an employee, or the unintentional violation of very broad and general provisions, would be very seriously discouraging, not to speak of it as very injurious. I doubt very much, and I say this in all sincerity, if the men in the business could stand it; or even a possibility of an investigation which could be initiated on slight or even no grounds. It would have a deep, far-reaching psychologic effect on our business.

In the first place, gentlemen of the committee, we could hardly stand that personal nervous strain incident to conducting the business under these conditions. The risks and responsibilities of carrying the great burden resting upon those responsible for the conduct of the packing industry is great enough as it is, but if this additional psychologic uncertainty is added of the licensing system I believe it would be a grave discouragement to the prosecution of this industry to the small and large packers alike.

I want to tell you, Mr. Chairman, and Mr. Anderson, and you, sir, what I consider would be the most important effect of this proposed legislation: It would be to break down the credit of the packers, which they have succeeded only by virtue of their best performance and their past record for good faith and honor in building up. I wonder whether it has been properly impressed upon this committee what that credit structure means and what it amounts to? It is the most phenominal business edifice which I think this country can show to-day. The amount of credit which the packer has built up by virtue of faith in his business and fair dealing for years, and which is a most sensitive and delicate thing, is hardly short of marvelous. And I know that we need it. We command it to as great an extent for our own business as any other packer commands it in his business, and we all need it in order properly to conduct our business. And if the bankers were fully appreciative of the danger we would be in from a licensing system, and from the results of that system, I believe that the effect would inevitably be to break down the credit structure that has been erected.

Now, gentlemen of the committee, as I see it it would not necessarily mean that we would have to do anything in violation of this act. But if any packer should be investigated, and the circumstances under which that investigation was initiated should become known to the banking community, it would unquestionably reflect upon the credit and standing of all other packers, the bankers would realize that the packing industry was being put on a still more uncertain basis than it is on at the present time, and it might be a very dangerous proposition for them to extend the large volume of credit which is necessary for us to have in order to finance the live-stock business of this country.

The CHAIRMAN. Just how do you figure that Government regulation would impair your credit?

Mr. MAYER. Well, under a system of licensing, such as is proposed in this bill, the power of initiating an investigation and of appointing a receiver would have a bad effect. And the appointment of a receiver even in the case of our business would have such a profound effect upon the organization of our business as a whole as to very greatly injure it.

The CHAIRMAN. Yet others contend that putting them under Government control would improve their credit. I want to get your idea about that.

Mr. MAYER. I doubt that very much, sir.

The CHAIRMAN. It is contended that examination and control by the Government would give assurance to creditors that the business was being properly conducted. The probable situation has been compared to that of the national banking system. Bank inspection creates greater confidence in the banks that are under the supervision of the Government on the part of the people.

Mr. MAYER. Well, the fact that our business has been properly conducted in the sense that you refer to is evidenced by the financial statements which we give to the banks every year.

The CHAIRMAN. Your credit is based upon confidence in your integrity and ability to conduct your affairs?

Mr. MAYER. Yes, sir.

The CHAIRMAN. Others contend that Government supervision is a safeguard and would offer some protection.

Mr. MAYER. I believe that Government supervision is present to a certain extent at this very moment. But I am very gravely apprehensive of the possibility of investigations and the unwarranted starting of proceedings of any kind against any individual packer without it being definitely known what the man has done or whether he has done any harm at all. He might and very presumably would be exonerated in the preliminary hearing, but a very grave harm would be done to his business.

Mr. ANDERSON. Why do you assume that any Government agency is going to start an unwarranted investigation?

Mr. MAYER. Well, these things work out that way as we know, and the business man and the banker particularly know that the credit business, banking facilities, is more or less a sensitive matter. And as we all know, Mr. Congressman, an investigation might be entirely unwarranted, and result in complete exoneration of the man or firm charged, and yet the credit of the entire industry would be put on a more indefinite basis than it is to-day.

Mr. ANDERSON. Well, of course, we have had a period of wartime reguation of industry which has been irksome to everybody, and perhaps harmful in many instances. I have not only an appreciation of the feeling of business men about that sort of regulation, but also a certain degree of sympathy with them. At the same time I can not just satisfy myself that there is not some camouflage about the constant assertions being made that all governmental regulation and supervision of industry is necessarily harmful.

Mr. MAYER. I do not say that for a minute, Mr. Anderson.

Mr. ANDERSON. There have been some men here who have said so.

Mr. MAYER. I do not state that for a minute. We are at the present time sufficiently surrounded by governmental safeguards to give the people all that is necessary concerning the packing business. We are to-day, I think, the most supervised business in the United States. Of course I include in that the matter of meat inspection service by the Department of Agriculture, which is a thing we all welcome and which is a thing which has done us lots of good.

The CHAIRMAN. You are under Federal meat inspection regulations at the present time?

Mr. MAYER. Yes, sir; and it amounts to the possibility of the Government getting information concerning our business which is unique in the industry of the United States to-day. They have their men constantly present in great numbers, and there is no reason why the Government can not ascertain the inner workings of practically everything connected with our operations.

Mr. ANDERSON. Have you finished your general statement, Mr. Mayer?

Mr. MAYER. No, sir; I have not.

The CHAIRMAN. You may continue.

Mr. MAYER. The first point I wish to make here is, that the packing business, sensitive and delicate as it is, the imposition of a licensing system upon it would have a very injurious effect; and more particularly in the breaking down of the wonderful credit structure which the packers have found it necessary to erect in order to conduct the business. Of course, a receivership as provided in the bill would be in my opinion absolutely disastrous. I have never heard of any packing business surviving a receivership, and I do not believe that our business could survive a receivership. I think that the firm of Oscar Mayer & Co., as has been built up in Chicago over a period of 35 years, so far as the banks, producers, and consumers are concerned, if thrown into a receivership would never come back into its own again.

Now, gentlemen of the committee, my second position is, that we have to-day in the United States in the packing industry a business conducted with marvelous efficiency, enjoying a degree of faith and honor of which we can all be proud. I, personally, speaking in a general way, am not only proud of the packing business as it stands to-day, but I feel there has been a service rendered in this country by the packers which is second to none in the industrial history of the world. I know that I am proud of the way the packer pays his bills. I am proud of the way he creates his credit and guards it with jealousy. I am proud of the service that is extended on credit to his customers. I am proud of the way in which we finally arrange to close our transactions by means of credit extension; but we see to it, however, with good credit departments, that it does not result in excessive loss to us.

In other words, gentlemen of the committee, the business of handling meats is wonderfully organized, and anything done to disturb it should be carefully looked into, very carefully indeed. Our industry finances the live-stock business of the United States; that is, we carry the supply from the period of plenty to the period of scarcity; we carry all the risks involved in market fluctuations. Our business has put the hog and the cow on a par with the Liberty bond. It has made the hog and the cow as negotiable to-day as the Liberty bond.

Mr. ANDERSON. Well, that might be an unfortunate illustration considering present prices of Liberty bonds.

Mr. BORDERS. You do not think present prices control this price, do you?

Mr. ANDERSON. No.

Mr. WELD. How about the present price of Liberty bonds?

The CHAIRMAN. If there is any practical way of bringing them up to a hundred cents on the dollar, I naturally am for it.

Mr. MAYER. The packing buesiness is to-day in my estimation the most efficient public servant in organized industry, passing as it does its merchandise on to the retailers at a profit ranging between 1 and 3 per cent.

It is a fact that the products of the packing-house industry can not be sold any lower than they are being sold at the present time in view of the fact that it is done on a profit of between 1 per cent and 3 per cent. Nothing that can be done through legislation can reduce this price to the consumer except insofar as the purchase price of our raw material may be decreased.

We are in a peculiar position: We have 100,000,000 consumers on one side and 1,000,000 producers on the other side. For this reason our industry will always be under scrutiny. And it seems to me that this close scrutiny is a sufficient safeguard, together with the existing legislation, and that it furnishes all the checks necessary upon any possible improper conduct of our business that may be provided.

We have traded with the big packers for 35 years. During that period we have not had any cause to complain about their marketing methods. We buy from the large packers; we sell to the large packers. We buy on the same markets as they do, and we sell in the same markets as they do. I am frank to say that in our business we have not felt that their competition has in any way been injurious to us.

That is all I have to say, Mr. Anderson.

Mr. ANDERSON. Is your product sold under a trade-mark?

Mr. MAYER. Yes; our goods are called the Approved brand.

Mr. ANDERSON. Is that true of your fresh meats as well as of your smoked meats?

Mr. MAYER. No, sir; our fresh meats are not sold under a brand.

Mr. ANDERSON. You have an established trade, have you?

Mr. MAYER. Yes, sir.

Mr. ANDERSON. Somewhere I have gained the impression that your business is rather of an exceptionally high character, based upon the quality of your product?

Mr. MAYER. Well, of course, father is an old packing-house man, and we have always guarded the quality of our products as jealously as we could, Mr. Anderson.

Mr. ANDERSON. I do not want to lead you into any admissions if you do not want to make them, but I will put the proposition to you as squarely as I can: You have referred to the fact that you have not felt any unfair competition on the part of the big packer. I presume that would be pretty generally true without meaning anything in particular as far as this legislation is concerned. But what I was getting at in your particular case is this: Whether your trade is of a character which brings you in competition directly with the big packers?

Mr. MAYER. Our product must be sold, especially that of fresh meats, every day of the year, Mr. Anderson. Competition is very keen, at least for fresh pork business, and to the extent to which we have established our trade-mark on sausage, hams, and so on, I believe our business is more stable, but on fresh meats we have to sell our customers every day on the basis of the price. There are other fresh meats on the Chicago markets, very good lines.

Mr. ANDERSON. There ought to be.

Mr. BORDERS. For instance, that of Morris & Co.

Mr. ANDERSON. My friend suggests that Morris & Co. puts out a very fine line.

Mr. LIGHTFOOT. And Wilson has the Certified brand, which he puts out and guarantees as to the quality.

Mr. ANDERSON. There is one thing that I do not believe anyone has ever questioned here, and that is the quality of the goods put out by any packer.

Mr. WELD. Mr. Mayer, do you come in competition with the Premium line of hams and bacon in the stores in Chicago?

Mr. MAYER. Very much so.

Mr. ANDERSON. I also observe that the packers are very good advertisers.

Mr. WELD. As well as are some legislators.

Mr. ANDERSON. No doubt. The committee will now stand in recess until 2 o'clock p. m.

(Whereupon at 12.35 o'clock p. m. the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. Mr. Weld, you may resume.

STATEMENT OF MR. L. D. H. WELD, OF CHICAGO, ILL.—Resumed.

Mr. MARSH. Mr. Chairman, yesterday morning when you were adjourning you were going to let me ask Mr. Weld a few questions on the subject he was then taking up, and you suggested that I postpone them until after he had concluded that point. May I ask them now? This is his first appearance since then, and they are on the subject he was discussing then.

Mr. WELD. I am not through with that subject.

Mr. WILSON. Mr. Chairman, I think we had better let the witness go on.

Mr. MARSH. When he finishes with this subject of the percentages, etc., may I ask the questions? I know the packers butt in at every possible point.

The CHAIRMAN. The rule is that the witness may proceed with his general statement in his own way. It is only by his consent that he can be asked questions while he is making his general statement. After he concludes his general statement the members of the committee may ask question; and then, by consent, of course, outsiders may ask questions.

Mr. MARSH. The rule is universal in its application, then, to the farmers' representatives as well as the packers?

The CHAIRMAN. Yes; the same rule applies to everybody. You may proceed, Mr. Weld.

Mr. WELD. Yesterday I was explaining these approximately constant percentages and explained that they are the result of keen, watchful competition, rather than the result of agreement; and that the situation is not a surprising one, in view of the fact that it also obtains in other industries where there is no thought of collusion or of division of business.

I want to call your attention to the fact that this matter is fully explained in this little blue book which I distributed yesterday, Analysis and Criticism of Part 2 of the Federal Trade Commission's Report, and there you will find explanation of the various letters that appear in part 2 of the Trade Commisson's report.

As I said before, you can find no evidence in those letters of an agreement. You will find no such evidence in the Sulzberger memoranda, in the memoranda which the Federal Trade Commission sensationally calls the Black Book.

Those memoranda refer to meetings that were held five or six or seven years ago. They were informal meetings; and as I explained yesterday, the truth is that the Sulzberger Co. was hard pressed by the aggressiveness of the other packers; and these informal meetings were had by Mr. Sulzberger with some of the other packers, and he was trying to find a way out.

The truth of the matter is that the Sulzberger Co. was trying to find some legal arrangement to prevent the severity of the competition; and in the conferences on that subject the past percentages and the percentages at that time were studied very carefully, especially by the Sulzberger Co.

This attempt to find some legal arrangement at the time was given no encouragement at all by Swift & Co.; in fact, Swift & Co. said positively that they would have nothing to do with any such arrangement, even if it were legal, and no such arrangement was ever put through.

This explains the Cravath letter, which appears on page 31 of part 2 of the Trade Commission report, which has often been referred to by the Federal Trade Commission as evidence that there was an agreement to divide receipts.

Mr. ANDERSON. What is that page, Mr. Weld?

Mr. WELD. Page 31. Now, on this same point——

Mr. ANDERSON. May I ask, Mr. Weld, this question: Of course, the testimony you are giving as to these letters and this memoranda called the Blackbook is entirely hearsay; it is not a matter about which you have personal knowledge?

Mr. WELD. I have knowledge from the members of my organization. That, by the way, is all explained in our analysis and criticism.

Mr. Anderson, if you have any definite questions or any definite facts to bring in as evidence, I would be very glad to have them, but I do not like those remarks that tend just to discredit my testimony.

Now, there has been a good deal said about the so-called 50-50 market. This merely means that where there are only two packers located at one market, each aims to get at least 50 per cent of the total business. Neither will be content to let the other become the dominant factor in the market if he can help it. It works out almost exactly to a 50-50 division of the receipts at Fort Worth and at Oklahoma City, but not in Denver or at St. Paul; and this in spite of the so-called 50-50 letter with reference to the Denver situation, that appears on page 76 of part 2 of the Federal Trade Commission report, and also considered on page 38 of Swift & Co.'s analysis and criticism of the Federal Trade Commission report.

This is, of course, an Armour letter, and I might say that I have not conferred with any representative of Armour & Co. about it, but it is perfectly evident from the letter itself that P. D. Armour in writing to J. Ogden Armour referred to the situation there as a 50–50 market when he said, "Everything here is done on a 50–50 basis, and with the facilities we have it is almost impossible to keep up this ratio."

The Trade Commission, of course, implies that the reference to a 50–50 basis means an agreed division, whereas it merely means that each plant aims to buy at least 50 per cent of the receipts at that market and that neither wishes to see the other packer become the larger factor.

Now, in explaining this situation at Denver, the Federal Trade Commission introduced the percentages of hogs bought by each of the two large packers at Denver, and that showed merely a 50–50 split on hogs purchased. On cattle purchases, however, the figures were not given by the Federal Trade Commission. If they had been given they would have destroyed the effect of this so-called 50–50 letter, because, as a matter of fact, in Denver Swift & Co.'s percentage of cattle purchases has been increasing from 47.6 per cent in 1914 to 54.7 per cent in 1917. This is a very substantial increase in Swift & Co.'s proportion of cattle purchased. In fact, Swift & Co. increased its proportion by 15 per cent in three years, and that is what P. D. Armour undoubtedly had in mind when he said "with the facilities we have, it is almost impossible to keep up this ratio."

Mr. **Anderson.** What is the average of those three or four years?

Mr. **Weld.** The average would be——

Mr. **Anderson** (interposing). As to each concern?

Mr. **Weld.** You mean the average for the four years?

Mr. **Anderson.** Yes.

Mr. **Weld.** It would be very nearly—it would be a little over 50 per cent for Swift & Co. I have not figured it.

Mr. **McIsaac.** Fifty and three-tenths per cent.

Mr. **Weld.** All right; but it varied from 47.6 per cent to 54.7 per cent.

With reference to the St. Paul situation, this is fully treated in our analysis and criticism on pages 33 to 35. I should like to have inserted in the record merely the table of percentages of hog and cattle purchases of each of the five principal packers at St. Paul, from 1914 to 1918, which appear on page 35 of our analysis.

Percentage of cattle and hogs purchased by each of the five large packers, South St. Paul, 1914 to 1918.

CATTLE.

Year.	Total head.	Swift.	Armour.	Morris.	Cudahy.	Wilson.
1914	168,487	97.4	1.0	0.2	0.2	1.2
1915	241,645	92.5	5.1	0.3	1.0	1.1
1916	286,017	85.6	9.1	1.0	0.4	3.9
1917	408,128	80.8	14.3	2.4	....	2.5
1918	463,175	78.4	19.8	0.8	0.1	0.9

HOGS.

Year.	Total head.	Swift.	Armour.	Morris.	Cudahy.	Wilson.
1914	1,380,679	75.7	23.6	0.6	....	....
1915	1,869,807	73.0	26.9	0.1	....	....
1916	2,327,000	65.0	34.6	0.4	....	....
1917	1,524,672	69.9	30.1	....	....	....
1918	1,766,218	67.1	32.9	....	....	....

Mr. WELD. This shows that the percentage of both cattle and hogs bought by Swift & Co. was decreasing very rapidly, whereas the percentage bought by Armour & Co., who always maintained a buyer there, but who had no packing plant there at that time, was steadily increasing, and this in spite of the fact that the Federal Trade Commission attempts to give the impression that there was an agreement to divide purchases at St. Paul.

Mr. ANDERSON. I do not recall any such statement. I do not assert it has not been made, but I read this table in your analysis and I was not able to determine just what you were undertaking to demonstrate by it, because, while I will not say it is not a fact, I did not know it was ever alleged that St. Paul was a 50–50 market or that any agreement applied specifically to St. Paul.

Mr. WELD. On page 65 of part 2, at the bottom of the page, there is a very short statement of the St. Paul situation which would give the impression that there was a working agreement between Armour and Swift to divide purchases.

Mr. McLAUGHLIN of Nebraska. There is no reference there to a 50-50 agreement, is there?

Mr. WELD. No, sir; but reference to the same sort of working agreement it is claimed me have with Armour.

Mr. ANDERSON. At the time Armour went in there Swift had a controlling interest in the stockyards, did he not?

Mr. WELD. Yes, sir.

Mr. ANDERSON. And at that time by an arrangement of some sort the stock of the St. Paul Stockyards Co., or whatever its title may be, was increased by $1,000,000, and that stock went to Armour for nothing.

Mr. WELD. I do not know the details of that, Mr. Anderson, and I could not answer.

Mr. ANDERSON. It would be reasonable to suppose that in view of that fact, if it is a fact—and I do not believe it has been denied by anybody—that Swift must have expected some increase in Armour's proportion of the stock bought at that market, whether hogs or cattle.

Mr. WELD. We certainly do; and I will say this: As soon as Armour gets to operating in a regular way the proportions will settle down to a very definite proportion, and there is and there will be no agreement, and it will probably be a 50–50 market, or it may be a 60-40 market; I do not know. Armour will try to make it a 50–50 market if he can, and the only way you can get away from definite percentages from year to year in the future would be through some kind of collusion to make them vary. I make that prediction, that sooner or later the percentages at St. Paul will settle down to a very, very definite figure.

Mr. ANDERSON. I think that is very probable.

Mr. WELD. And I say that that will be true without any agreement or collusion to bring it about.

Mr. VEEDER. Mr. Chairman, the city of St. Paul contributed and organized a committee, and brought about the arrangement by which Armour & Co. came to the stockyards at South St. Paul.

Mr. ANDERSON. You mean the chamber of commerce, do you not?

Mr. VEEDER. No; I mean a committee of citizens of the city of St. Paul, and they raised a sum of money which was paid to Armour &

Co. for the purpose of assisting them in locating there, part of which sum of money was used to purchase some of the stock of the St. Paul Stockyards Co., which was turned over to Armour & Co. The stockholders of the St. Paul Stockyards Co. were invited by this committee to participate in locating Armour there, and the stockholders contributed certain stock which they owned to this committee, to likewise be used in locating Armour at that point at the stockyards.

Mr. ANDERSON. Is it not a fact, Mr. Veeder, that the stock of the stockyards company was increased by $1,000,000, and that Armour got that stock?

Mr. VEEDER. The stock of the stockyards company had been increased but the stock belonged to the stockholders. It was increased and paid over to a committee of the stockholders. It belonged to the stockholders, and the stockholders of the company contributed that through this committee. Armour & Co. got that stock, but they got it from the citizens of St. Paul, and the stock was donated by the stockholders of the stockyards company. The stockyards company, as such, had nothing to do with the arrangement.

Mr. MCLAUGHLIN of Nebraska. Was this the place where, when the representatives of the citizens of St. Paul, who were bidding for competition in the St. Paul yards—is this the place where Swift and Armour got together in Chicago and arranged the deal before it went through?

Mr. VEEDER. No; there was a representation from this committee of St. Paul citizens that came to Chicago, and they conducted their negotiations first with Armour and then with Swift. As a matter of fact, it was not until right at the end of the negotiations that Armour and Swift got together in a conference with this committee, and the negotiations lasted over several years, three or four years, during which time this committee was making an effort to get Armour to locate at St. Paul and to bring about a negotiation which would put them in that stockyards; or bring about a result from the negotiation that would put them at that stockyards. It was engineered and demanded by this committee of citizens of St. Paul. Their interest grew out of the fact that Armour & Co. had bought a tract of land near Minneapolis and threatened to locate a stockyards and a packing house there, and in the opinion, apparently, of the committee of citizens of St. Paul that would be to the detriment of St. Paul and its business interests.

Mr. ANDERSON. You say that the stockholders of the St. Paul Union Stock Yards Co. did this. Swift & Co. was the principal stockholder in the stockyards company.

Mr. VEEDER. Swift & Co. was a stockholder. Swift & Co., I believe, owned more than a majority of the stock, but there were quite a large number of stockholders, and about one-third or over one-third of the stock is owned in England. I do not remember, and I do not wish to be considered as speaking accurately on these proportions. Swift & Co. owns quite a block of the stock. There are quite a number of other American stockholders besides Swift & Co. and the Swift interests, and a third or more of the stock, as I recall it, is owned in England. There is a very large block of it owned in England.

Mr. ANDERSON. I was in error in saying it was $1,000,000 of stock.

Mr. VEEDER. It was $500,000.

Mr. Anderson. I had in mind the original holding of Swift & Co. It was $500,000, as you say.

Mr. Veeder. Yes.

Mr. Anderson. This $500,000 of stock which went to Armour was raised by declaring a stock dividend of 25 per cent.

Mr. Veeder. What is that?

Mr. Anderson. This stock that went to Armour was created by the declaration of a 25 per cent stock dividend?

Mr. Veeder. There was a stock dividend declared and paid to the stockholders, and the stockholders agreed with the citizens' committee to convey that stock through this citizens' committee to Armour & Co. or to the Armour interests. I do not know just how it went.

Mr. Weld. Another point in connection with this percentage business, we find some references in the correspondence to "our share" or "our percentage," as though that were evidence of an implied agreement. The term "our share" especially, is a very common one in referring to our purchases in any particular market. We use it in our offices very frequently. We use the same expression in referring to our selling and in analyzing our sales results in different territories or different cities. We say, "Are we getting our share of the business," meaning the quantity of business that we think we ought to get in view of the competition.

And still another point in connection with this, and a rather interesting one, is that even if we had an agreement, say at Denver, this would not control the price of the live stock.

The presence of speculators and shippers, people who buy goods to ship to other markets, would prevent any fall in the price, any artificial lowering of the price, and even if there were no other buyers; but, say Armour and Swift at Denver had a 50-50 agreement, if we attempted to depress the price the least bit, we might depress it and might be able to buy live stock cheap for two or three days or a week, or possibly a little longer, but that is all. There would not be any more live stock coming to that market if we attempted to manipulate the price or could manipulate the price in that way. The producers would ship to other markets.

And, furthermore, even if there were a division of purchases, it would not affect the price of meat, because there would still be the question of the shipment, the allocation of our individual shipments to the different markets, and even if there were an agreed division of purchases, it would not affect the shipment of the meat.

Mr. Anderson. Which one of the propositions are you taking, that there is no agreement, or if there is an agreement it does not hurt anybody.

Mr. Weld. I say there is no agreement, and I also say that even if there was an agreement it would not give any control over the price of stock or meat. I think I have made myself clear enough that there is no agreement.

Mr. Anderson. I do not think anybody is asserting that there is a control over the market without limit, in the sense that you are enabled to stop the operation of all economic laws, but simply that you are in position, in a strategic position, which enables you to control the business.

Mr. Weld. The Federal Trade Commission very specifically says that we manipulate the prices of live stock and that we have a monopoly control.

Now, as I said, when I began a discussion of this point, this is the principal argument of the Federal Trade Commission. It is the basis on which it makes its cleam that there is collusion and that there is a monopoly.

I have shown you that there is no evidence that receipts are divided by collusion or agreement. I have given you plenty of other evidences of the competition that exists, and I have called your attention to the fact that no evidence of any results that ordinarily flow from monopoly have been presented; that no instances of manipulated prices have been cited; that no instances of extortionate profits have been cited or can be found; that there is no control or curtailment of the supply and no arbitrary widening of the differential between the price of the raw material and the price of the finished product.

When you can point out some of those things and some specific instances of those things, then you begin to have a case against the packers and that they have a monopoly; but, so far, nothing of that sort has been pointed out and nothing can be pointed out along that line.

My treatment of this subject of percentages I believe illustrates the two following charges that are made against the Federal Trade Commission:

First, a conclusion not founded on fact; and,

Second, especially in connection with the Denver situation, the suppression of data.

Now, this closes my discussion of this particular topic, and if there are any questions before I go on to some of the other misrepresentations of the Federal Trade Commission—some of the other points on which the Federal Trade Commission bases it argument that there is collusion—I will be glad to answer them now.

Mr. Voigt. Mr. Weld, have you ever attempted to compile statistics for a period of years showing the total purchases of live stock by the five packers?

Mr. Weld. I have made no special tabulation. We carry those figures along in our office all the time.

Mr. Voigt. What I would like to know is whether you are in shape to give the committee authentic figures showing the percentage of purchases by the five packers for, say, 10 years past?

Mr. Weld. I think most of those are given here up to 1916 or 1917—1917, I think—in the Federal Trade Commission report, and since 1912 or 1913, and running back to 1910, on what is called that arbitrary basis.

That was an arbitrary basis adopted by Swift & Co. to try to make comparisons for 1912 and 1913 with the years previous to that when the National Packing Co. was in existence. It was necessary to divide up the purchases of properties of the National Packing Co. among the different packers making the purchases, in order to get some basis for comparison; otherwise the comparison would not have meant anything. I think all those figures are in here.

Mr. VOIGT. The only figures I am able to find in this report cover a period of three consecutive years. If you know of any other table, I will be very glad to have you refer to it.

Mr. WELD. I was thinking they ran back further than that, Mr. Voigt. I know there were some figures for earlier dates here. I guess I had in mind the table which is on page 35 and which gives the figures from 1910 to 1913. Apparently, there are no figures here for 1914 and 1915. The next is 1916, and then they have 1917.

Mr. VOIGT. The table on page 35 gives the purchases of cattle and sheep, but not the total. There is a table on page 37.

Mr. WELD. Which gives them for 1910 only.

Mr. VOIGT. And there is a table here somewhere which gives them for three years, if I am not mistaken. What I want to get at, if I can, is a table that would show those purchases—the total purchases—for the 10 years past.

Mr. WELD. Can we compile them from our records?

Mr. CHAPLIN. I think so.

Mr. WELD. Pevious to 1912 they were made a matter of record in the case that was tried that year. They were a part of that case, and that was a part of the Government's case against the packers, and that was not, apparently, considered as evidence of agreement even at that time.

Mr. VEEDER. You mean by the jury?

Mr. WELD. By the jury; yes.

Mr. VOIGT. Have you found figures in any line of business whatever which show such uniformity of purchases by percentages as is shown among the five packers?

Mr. WELD. Well, as I said yesterday, I would not expect to find any so close as in the packing industry. I have found them in other industries where it is not possible for each competitor to see so clearly and definitely and easily from day to day what his competitors are doing, and where the percentages run almost as close as the packers, where the variation is normally less than 1 per cent from year to year.

Mr. VOIGT. You had a chart here yesterday giving the results from several large insurance companies.

Mr. WELD. Yes, sir.

Mr. VOIGT. Over a period of a few years.

Mr. WELD. Yes, sir.

Mr. VOIGT. But that table showed more fluctuation than exists in the packing business.

Mr. WELD. Yes, sir; it did, especially for two of the companies, as I remember it.

Mr. VOIGT. So that table would not precisely carry out the contention made for the packers in this case?

Mr. WELD. To my mind, it does. The variations are so slight, even in that business, where each can not see so definitely from day to day—where the competition is not so face to face as it is in the packing industry. Here we are doing business in big, open, public market places where each one knows every day just what the other is doing, and where the results are even published in the papers.

Mr. VOIGT. But these big insurance companies know what their competitors are doing from time to time through public reports.

Mr. WELD. From time to time, but how often? From year to year?

Mr. Voigt. They probably would find out every three or four months, but assuming they only found out every year, they would know how they stand exactly.

Mr. Weld. Yes; but there is not that close face-to-face competition from day to day that there is in the packing industry.

Mr. Voigt. Well, let me assume this question: Suppose that four or five of the large life insurance companies of the United States were to keep each other informed at the end of every week as to the amount of premium receipts, would you then expect to see a greater uniformity in their percentage of the total business than you see now?

Mr. Weld. I think there probably would be. I would expect there would be. I would expect, except for some—well, I would expect that if a concern found itself in the course of a week or two or three weeks falling behind, it would redouble its afforts to maintain the pace, and in that way would keep more in line with the others.

Mr. Voigt. Have you tried to figure out the premium receipts of large fire insurance companies to ascertain whether they run constantly for a period of 10 years?

Mr. Weld. I believe that I have. We tried them for the industries we could get figures from. As I remember it, in the fire insurance companies, there was the same result with the exception of one or two companies as in the life insurance companies. As I remember it, there has been one company that has been gradually gaining from year to year. If I remember correctly, that is an English company which is doing business in this country.

Mr. Voigt. In the case of the fire insurance companies, there are some companies that are forging ahead and some that are going into liquidation.

Mr. Weld. Yes, sir.

Mr. Voigt. And there are new companies starting up.

Mr. Weld. Yes, sir; and in other industries——

Mr. Voigt (interposing). And all these companies fluctuate in the amount of premium receipts.

Mr. Weld. As I remember, in the case of fire insurance companies, the percentages remain astonishingly constant from year to year. You can go out and find industries where the percentages vary much more than they do in any of these I have given you. That would be especially true of a new industry, of an industry that has new sources of raw materials available from time to time, as in the oil industry. I tried to get figures from the oil industry but I could not find any, and where methods of production are changing—in the automobile industry, I would not expect to find this result at all. I tried to see if there were any figures, but I could not find any, and I would not expect to get this result at all. If, in the course of 50 years, the automobile manufacturing centers in a half a dozen competitors, who are doing 50 or 60 per cent of the business, I would then expect to find the percentage of the total manufacture of automobiles done by each of those biggest competitors to remain practically constant from year to year.

Mr. Voigt. Do you find that this claim of yours is sustained by the circulation figures of newspapers?

Mr. Weld. I have not looked into that, sir. I feel reasonably certain that if I could get figures from department stores or for, say, a half a dozen leading wholesale grocers in Chicago, they would show approximately the same results.

Mr. VOIGT. Over a period of 10 years?

Mr. WELD. Yes, sir; I should say so.

Mr. VOIGT. You do find that some newspapers fall behind in their circulation and others forge rapidly ahead.

Mr. WELD. Yes, sir.

Mr. VOIGT. Even in a period of 12 months.

Mr. WELD. Yes, sir; I think that is undoubtedly true. I do not believe you would find such a uniformity of percentages there.

Mr. VOIGT. Do you know of any number of concerns that are engaging in producing a food product that have maintained the uniformity which has been maintained in the packing industry?

Mr. WELD. I do not know of any other figures. I have not seen any figures. As I say, I would expect to find it in, say, the half a dozen leading wholesale grocers of Chicago or of New York; that is, barring any consolidations with other companies or something of that sort. Of course, anything of that sort throws off the percentages.

Mr. VOIGT. You also refer to the uniformity in the amount of business done by the newsprint paper factories?

Mr. WELD. Yes, sir.

Mr. VOIGT. I happen to know of a large factory that was recently erected at Krakow, Wis. It was erected several years ago, and I understand they are doing a very large business. Now, the thought that occurs to me is this: If a new concern can start up with the ordinary handicaps that are incident to launching a new business and within a few years do a large business, why can not a concern which is already in that business make the same gain which is made by that new concern?

Mr. WELD. Well, I think that, of course, sometimes happens. The newsprint paper industry is hardly comparable to the packing industry when, especially during the last few years, it has been undergoing almost a revolution in that Canada has been coming in as, perhaps, the controlling factor in the production of newsprint paper on this continent. The production is not as great as in the United States, but seven years ago it was practically nothing. Furthermore, in the newsprint paper industry the mills have gone out to where the raw material is located. There have been changing conditions in that industry. As I said yesterday, the percentages resulting in the newsprint paper industry are remarkably close, astonishingly so, when you consider the fact that these changes have been coming about in the industry.

I also said yesterday that if there has been any agreement in the newsprint paper industry, that invalidates the figures I presented yesterday, and possibly for that reason. I do not know just what the charge against the newsprint paper manufacturers is, or whether there is any alleged division of business, but if there is any agreement that involves such a division of business, that would, as I say, invalidate the figures I presented yesterday on the newsprint paper industry.

Mr. VOIGT. And, of course, you know it is widely claimed that there is a monopoly or agreement in the newsprint paper business?

Mr. WELD. I understand there is some such—I do not know whether there is a case pending, but, as I say, I am perfectly willing to admit that my figures on that industry are questionable for that reason.

Mr. VOIGT. On a number of occasions in your testimony you have referred to the fact that the packers always strive to maintain their percentage of purchases of live stock?

Mr. WELD. Each packer does; at least, Swift & Co. does. We do not intend to fall behind by a fraction of a per cent in any single market if we can help it.

Mr. VOIGT. That is, your endeavor is to maintain your standing as compared with the other four packers?

Mr. WELD. At least do that; and go ahead, if they can without losing too much money.

Mr. VOIGT. And in some of the correspondence quoted by the Federal Trade Commission, and to which you have referred, the packers are always naming a percentage of purchases which shall be attained by their buyers; that is true, is it not?

Mr. WELD. To a certain extent, yes; that we aim to get at least a certain percentage in a certain market, and we instruct our buyers in that market to get that percentage.

Mr. VOIGT. And that percentage which you aim to get so far as the exhibits show is uniform.

Mr. WELD. In the individual markets that percentage varies considerably.

Mr. VOIGT. But the total percentage in all the markets that you endeavor to get has remained constant for a period of years?

Mr. WELD. Has varied very little from year to year; yes, sir.

Mr. VOIGT. It is practically a constant percentage?

Mr. WELD. I showed you that Swift & Co.'s increase of cattle purchases in last year increased to such an extent that we bought 100,000 more cattle in 1918 than we would have bought if we had not increased our percentage. That, to us, is a very substantial increase.

Mr. VOIGT. But during that same period you fell behind in the purchase of hogs.

Mr. WELD. We remained just about the same on hogs, as I remember it.

Mr. VOIGT. But when you figure the total amount of your purchases your percentage remained practically constant during the five years you mentioned.

Mr. WELD. Approximately constant.

Mr. VOIGT. It did not vary 1 per cent.

Mr. WELD. On all live stock together?

Mr. VOIGT. On your entire purchases?

Mr. WELD. That is probably true.

Mr. VOIGT. Now, can you refer us to any exhibit produced by the Federal Trade Commission, or produced by yourself, if you please, where instruction has been given to your employees, or where it has been outlined as the policy of your business, to endeavor to exceed that constant percentage.

Mr. WELD. I do not know that we can show any positive instructions. We merely know that that is the guiding principle of our business.

Mr. VOIGT. Your plan, then, has been to remain at a constant figure.

Mr. WELD. No; I did not say that at all. That is the way it has worked out.

Mr. VOIGT. Let us say this, then. The effect of your business has been over quite a period of years that your purchases, as compared with those of other packers, have remained at a constant percentage.

Mr. WELD. At a practically constant percentage; yes.

Mr. VOIGT. Now, I will ask you whether you can point out in these exhibits produced by the Federal Trade Commission any effort on your part to exceed that constant percentage?

Mr. WELD. I can point out that in Denver, for example, we exceeded it. Of course, I would not be able to find anything of that sort in the Federal Trade Commission report, because if there were any such data or instructions available they would be favorable to our side and would disprove the whole thing and spoil the case of the Federal Trade Commission, and it would have been suppressed if they had found any definite evidence on that point.

Mr. VOIGT. I am not referring to purchases in any particular market. I am referring to your total purchases. The fact that you vary with each other in any particular market would not convince me, personally, of anything.

Mr. WELD. That is, we study the thing and adjust it, and say that we will fall behind in this market this year and go ahead in that market, so as to even up. You think we do that constantly?

Mr. VOIGT. No; I am not making that charge now, but I think you know what I am trying to get at. I say that the fact that you vary in different markets would not convince me of anything. The thing that does interest me is this constancy in the percentage of your total purchases.

Mr. WELD. I do not blame you at all for being interested in it. We are very much interested in it ourselves; but I say this, that when you really get into the thing and understand how the business is conducted—well-established businesses in open competition with each other—and when you study the results with other industries, where the competitors can not see so well what the others are doing from day to day; then it is not so surprising after all; and furthermore, that until you can give some evidence that there is an agreement to divide those purchases you can not accept the sheer fact that they remain approximately constant as prima facie evidence that there is an agreement.

Mr. VOIGT. Well, let me ask you this question: At the present time Armour buys about 30 per cent of the total of all live stock purchased by the five large packers, or let us assume that is about right.

Mr. WELD. I do not know where you find any figures for all animals together.

Mr. VOIGT. I think there is one table for 1916.

Mr. WELD. I do not remember it. Do you know where it is?

Mr. VOIGT. Let us assume that the figure is 30 per cent of all purchases for Armour of the total purchases by the five packers. That is pretty close to the truth.

Mr. Weld. Well, it would be a little under that. I see on page 57 where for cattle it is 26.9 per cent and sheep 26.2 per cent and hogs 30.3 per cent for Armour, 1917.

Mr. Voigt. Let us assume, then, that Armour purchases 28 per cent of the total purchases made by the five packers, and let us assume that the total percentage for Swift is about 34 or 35 per cent and the percentage for one of the smaller packers is about 10 per cent.

Now, you say that where these people are in active competition with each other and have access to information, that for a long period of years they will run neck and neck at this given percentage, and that it is in the nature of the business that that shall be so?

Mr. Weld. Yes, sir; that is true. That is the way it has worked out.

Mr. Voigt. Now, when, according to your theory, was there a point in the packing industry when that was not so?

Mr. Weld. I should say, probably, previous to 1900, before the large packers had established themselves as the biggest competing units, or possibly even during the nineties, I would expect these percentages to run approximately constant. Was not Cudahy established early in the nineties? I do not remember much about that early history.

Mr. Anderson. I think Mr. Armour testified with reference to these percentage figures at least that there was more or less of an arrangement respecting the allocation of purchases and the division of territory, etc., as far back as 1890. So far as I know, there was nothing prior to that.

Mr. Weld. I understand there was no agreement on the purchases during the nineties. There was an agreement on the shipments of dressed beef, and that undoubtedly had an indirect effect—well, call it a direct effect, if you want to, although it did not cover all the purchases of cattle—had an effect on the percentages during that time, and probably made them more constant during the nineties than they otherwise would have been; but, you see, one big competitor has come into the field since somewhere around 1890.

Mr. Voigt. These five packers or their predecessors were the largest packers in the country, or have been for a long period of years?

Mr. Weld. Yes, sir.

Mr. Voigt. Now, what I would like to have you explain is, that while they have run at these precise percentages for so long, what was there that gave Swift 34 per cent of the total of 100 and some other packer only 10 per cent?

Mr. Weld. Well, that was a development from the competition in the early days before it got settled down, as it were, at a time when sources of raw material were changing, when methods of manufacturing were being developed, when new methods of utilizing waste were being discovered, when branch-house distribution was being developed, and all of these things. Until those things had settled down or while they were being worked out through competition and through the initiative of the individual packers, it came about that they developed a fairly definite relation in point of size.

Mr. Voigt. Then you do admit that there was a time when there was competition?

Mr. Weld. I admit that there is competition all the time, and I do not like to have you put any such words in my mouth.

Mr. Voigt. How is that?

Mr. Weld. I say I do not care to have you put such words in my mouth.

Mr. Voigt. You did use the word "competition."

Mr. Weld. Yes, sir; I used the word "competition" all the way through. I say it has worked out that way and it was in the early days.

Mr. Voigt. Then you claim that the fact that these percentages did vary at one time in the history of the packing industry, due to the fact that the industry was not standardized as it is to-day?

Mr. Weld. Yes, sir; that there were changing conditions at that time; that the industry was in its infancy, just becoming developed, just exactly the same thing that you are seeing in the automobile business to-day and have seen for the past 10 years.

Mr. Voigt. Then it is you theory about business that when business outgrows knee pants, so to speak, then the people operating in that line of business remain at a constant percentage with each other?

Mr. Weld. At a fairly constant percentage, especially where they are buying their raw materials in competition with each other, and each can see what the others are doing. It is a very interesting phenomenon in economics. I have talked it over with various economists. I told the editor of the American Economic Review about it, and he asked me to write an article on it, which I propose to do.

Mr. Voigt. Well, I wish you good luck.

Mr. Weld. It also fits in with some interesting theories of men like J. B. Clark, and so forth, on what they call the static conditions of economics, where there is a tendency toward such a static condition. When there are new inventions or new sources of raw material, those things tend to upset the equilibrium to a certain extent, and then they work back to the same equilibrium.

Mr. Voigt. You do not want to say that the business of the five packers to-day is exactly on a par, so far as efficiency is concerned, do you?

Mr. Weld. No; but they are very nearly on a par. Of course, Swift & Co. thinks it is a little more efficient than the others. I do not know whether that is true or not, but that is our feeling, and probably each of the other packers feels the same way.

Mr. Voigt. You all approximate a given point of efficiency just as you do in the matter of purchases. I assume that is your theory?

Mr. Weld. Yes, sir; that is true.

Mr. Voigt. Now, if that were true, then each of the five large packers would make exactly the same percentage of profit at the end of the year barring fires and unforeseen conditions?

Mr. Weld. If they were all equally efficient and doing the same volume of business and the same kind of business all the way through. As a matter of fact, the profits are astonishingly similar among the competitors in the packing industry.

Mr. Voigt. The profits of the five large packers for the last 10 years in some years are decided different, are they not?

Mr. Weld. Yes; they vary. One will be 2½ cents on a dollar of sales and another will be 3½ or 4 cents on a dollar of sales.

Mr. Voigt. I am talking now of the percentage of profit to the invested capital.

Mr. Weld. Yes, sir. I think that we have probably done as well as any of our competitors in that respect and possibly better.

Mr. Voigt. I understand. There have been years in which, for instance, one of the five packers has made a quarter or a half more on the invested capital than some other packer. That is true?

Mr. Weld. I am not sure about that, but you can not gauge the relative efficiency of the packers by the percentages. You can not judge it solely by the percentage of profit or net worth, because some packing concerns do their business on a much larger proportion of borrowed money than other packers. If you are going to make a fair comparison between the different packers it should be based on the net worth, plus the borrowed money, but it is never expressed that way, of course, in the financial sheets.

Mr. Voigt. Do you not think, if you are going to judge the success of a business, that you will finally look to the best barometer there is, and that is the percentage earned in a given year on the capital invested?

Mr. Weld. Yes, sir; that is one gauge.

Mr. Voigt. There we find that there is quite a variation over a period of years among the five packers?

Mr. Weld. Yes, sir; but a portion of a quarter of a cent on each dollar of sales will make a very decided difference in the return on the investment.

Mr. Voigt. I am not talking now about your percentage on sales; I am talking about the net profit.

Mr. Weld. Yes, sir.

Mr. Voigt. Which shows at the end of the year.

Mr. Weld. I am explaining how an extremely slight difference, either in expense or in profit on each dollar of sales, will show up with a relatively large difference on the investment. The difference in the profit on the investment would be relatively large and the cost of operation and the cost per dollar of sales would be extremely close.

Mr. Voigt. I agree. The point that I am making is that when you finally judge the success of the business you look to the percentage that the business had earned on the invested capital at the end of the year?

Mr. Weld. If you could get comparable figures on exactly the same line of business. As a matter of fact, the figures for all the packers include various things. For example, up to two years ago Swift & Co. included the profits from allied manufacturing plants, which were then a subsidiary, it included the foreign business, the operation of its tanneries. Some packers have never had tanneries. Those profit figures of the five large packers include not only the meat-slaughtering industry, but those various allied industries and in different proportions, so that the figures are not comparable for that reason.

Mr. Voigt. I have here some figures which, I think, are correct, which show the average profit of the five large packers for from 1908 to 1918, and they are stated as follows——

Mr. Weld. The average of the five packers?

Mr. Voigt. No; each is named here. For over a period of 10 years this shows Swift, 14.4; Armour, 10.5; Morris, 9.2; Wilson, 14.9; and Cudahy, 11.6. The widest variation is between Wilson and

Morris. That is, the average profit of Wilson was 5.7 per cent per annum greater than that of Morris.

Mr. WELD. Five and seven-tenths per cent greater than what?

Mr. VOIGT. Greater than that of Morris. That is, Wilson's average profit for the 10 years is given as 14.9 per cent and Morris's at 9.2 per cent. I want to ask you, that being the case, here is a concern for a period of 10 years which makes a profit of 5.7 per cent on its invested capital more than a competitor; would you not, under ordinary circumstances, also expect that the business of that man who had that 5.7 per cent each year above a competitor would also increase?

Mr. WELD. No, sir; not necessarily, especially as the concern that is making less money would prefer to continue to buy its proportion, in fact, would have to buy the proportion that it had been accustomed to rather than fall behind. If the business is not very profitable and if it once fell behind and he let go the business at all, it would probably continue to fall off.

Mr. VOIGT. I grant you that the concern making less profit would endeavor to do as much business as the concern which made the larger profit. That is true. Would you not expect to find where two men were doing business side by side, in business for a period of 10 years, one man making almost double over what the other does, that the man who was making the largest profit would also increase the size of his business?

Mr. WELD. As I said, in the first place, that profit is a very small difference; it represents an extremely slight difference in the cost of operating the plant per unit of output; it represents an extremely small difference in the profit per steer or per hog or per pound of product or per dollar of sales. That difference would be extremely slight.

Mr. VOIGT. I do not care to monkey with your dollar of sales figures, and I wish you would not use any figures with me on that basis.

Mr. WELD. I am going back to tell you why we speak of the expense per dollar of sales.

Mr. VOIGT. I have no objection to your doing it in your own time. This profit, which you say is so slight, translated into dollars amounts to millions of dollars per year?

Mr. WELD. Not very many millions.

Mr. VOIGT. If Morris had made the same percentage of profit during these 10 years that Wilson did, it would have amounted to a good many millions of dollars to Morris?

Mr. WELD. For 10 years?

Mr. VOIGT. Yes. sir.

Mr. WELD. Yes, sir; it probably would; not a great many, but a few million dollars.

Mr. VOIGT. If you can state, what are the average profits of Morris & Co.?

Mr. WELD. I do not know, sir.

Mr. VOIGT. What have been the profits of Swift & Co. for the past 10 years?

Mr. WELD. On the investment?

Mr. VOIGT. Yes, sir.

Mr. WELD. About eleven and a fraction per cent for the last 15 or 17 years.

Mr. VOIGT. What has it been in dollars?

Mr. WELD. Oh, my, in the last 15 years it has run all the way from $35,000,000 in 1904 up to $200,000,000 now.

Mr. VOIGT. You take one-third of that and it would amount, as I say, to many millions of dollars?

Mr. WELD. Certainly.

Mr. VOIGT. I will ask you again, would you not actually expect that a man or concern which had laid up many millions of dollars in the course of 10 years over a competitor that that concern would, in the natural course of events, enlarge his business?

Mr. WELD. I should expect that it would enlarge its business, but so long as they are making a satisfactory profit and have something over to pay dividends and to put back into the business, which would be exactly the same thing as Morris & Co. have done. They have paid almost no dividends, and they have put practically all their profits back into their business. Their capitalization is only $3,000,000, and the net worth is $30,000,000 or $40,000,000.

Mr. VOIGT. I am not talking about Morris. I am talking about the fellow that made so much more money by percentages than Morris; would you not, in the ordinary run of business, expect to find a man who is doing a better business to expand his business?

Mr. WELD. If he is not doing enough; yes. Before I got into the packing industry I would have said, unquestionably, yes; I would expect to see such a concern forge ahead. It was surprising to me when I got into the industry to find how closely they kept together, but it was just about as much of a surprise to me to find that the same thing obtains absolutely in other industries.

Mr. VOIGT. It follows from that that you are not surprised that some of the members of the committee are in the same frame of mind that you were before you got into the packing industry?

Mr. WELD. No: I am not surprised at all. That is why I am going into the subject so carefully, and why I am glad to go into the subject so carefully.

Mr. VOIGT. I understood you to say that if the packers controlled the purchase of stock in a given market by a division that they could not control the price?

Mr. WELD. Yes; I said that. Within certain limits, they could control prices. I was speaking of one simple market, at Denver, on the fifty-fifty basis. That would not give the packers the power to manipulate the prices in the Denver market.

Mr. VOIGT. Let us suppose that the Denver market is divided between two packers and that it is understood that each one of them shall have 50 per cent of the available supply and no more.

Mr. WELD. Are there any speculators in the market?

Mr. VOIGT. Let us say that there are a few small fry around on the outskirts.

Mr. WELD. The speculators can appear overnight if there is any reason.

Mr. VOIGT. Let us talk about the speculators and the commission men later. Let us see how your theory works out. You think if two packers had the monopoly of the market fifty-fifty, that they could not affect the price on the market?

Mr. WELD. I said they could for a time, but if there were only two buyers and no more, I do not believe that any stock would come to that market, if they tried to depress the price of cattle. I suppose the manipulation of the price would be downward, that would be the only object.

Mr. Voigt. And let us assume that a similar agreement exists at all other markets?

Mr. Weld. If such an agreement existed in the principal markets and there was no one else to buy any stuff, such an agreement probably could affect the price of the live stock, but even then not so much as one might imagine.

Mr. Voigt. The five packers purchase between, I think, 75 and 80 per cent of the live stock which is shipped in interstate commerce?

Mr. Weld. Something like that, but they come in direct competition with the rest of the stuff killed in the United States.

Mr. Voigt. I understand that. Let us assume that there is an agreement among these five packers for a division of purchases at the various markets, and let us also assume that they have purchased and are the only purchasers for 75 to 80 per cent of the live stock, do you mean to say that they could control the situation?

Mr. Weld. If they depressed the price the least bit below what the stuff is worth in the form of meat and by-products, there would be hundreds of independent packers all through the country who would spring up overnight. If they had, through manipulation of the market, widened the spread the least bit between the price of live stock their monopoly would be destroyed in six months.

Mr. Voigt. Let us suppose that the five large packers could shut down their plants entirely temporarily and should desist from buying any further live stock on the markets of this country and that the usual receipts would come in, do you mean to say that the cattle offered would all be purchased?

Mr. Weld. No, sir; I do not mean any such thing. The price would, of course, drop, and we would also go into bankruptcy within a week.

Mr. Voigt. Let us leave you out of consideration. The consequence would be that the prices of live stock would drop?

Mr. Weld. Because the individual packers are large consumers of this product. There is no question of collusion involved in your question at all. If the five large packers individually should suddenly stop buying it would upset the market. If they permanently stopped buying there would be big packers to take their places within a few months.

Mr. Voigt. I asked the question for the purpose of showing that the five packers occupy such a predominant position that they can affect the market.

Mr. Weld. If the five large packers were to disobey the law, and so forth, and they should work together in collusion, I believe they could have some effect on the prices, but you have yet to show where there has been a single case of manipulated prices or an artificially wide spread between the price of live stock and the price of meat or any positive evidence of any agreement.

Mr. Voigt. Of course, I do not expect you to admit that there is any such agreement?

Mr. Weld. No, sir.

Mr. VOIGT. I think you will admit, as an economic proposition, that any man or any set of men that purchase 75 or 80 per cent of any given commodity in this country have a large control?

Mr. WELD. They do not have a large control unless they work together.

Mr. VOIGT. Then you admit that if they work together they can exercise a large control?

Mr. WELD. Yes, sir. If five concerns controlling 75 or 80 per cent of the output of a commodity—that is generally conceded by economists—that one concern or five working together are the same thing as far as affecting the supply of the commodity is concerned. Of course, the Supreme Court has just said in the Steel decision that a concern handling 50 per cent of the output of the country did not have a monopolistic control. I have heard that over 60 per cent would be a monopolistic control. Here are five competitors, the largest one, Swift & Co., handling only about 25 per cent of the output of the inspected houses and less than 15 per cent of the total meat production of the country. The only way that they could get control is by collusion between those five. So far you have not any evidence that there is any collusion. The reason you have not is because there is no collusion.

Mr. VOIGT. You make that statement. I differ from you.

Mr. WELD. All right.

Mr. VOIGT. I do not want to do your concern any injustice, but I differ from you on that proposition.

Mr. WELD. That is all right, too.

Mr. VOIGT. I think in this report of the Federal Trade Commission there is plenty of evidence of collusion on the part of the five packers.

Mr. WELD. I disagree with you on that and I challenge you to produce the proof.

Mr. VOIGT. I referred here yesterday to a protest which was sent by something like 74 or 75 commission firms in Chicago to the five packers, in which practically all of the commission men of Chicago protested against the practice of the packers in coming into the market late. You recall that?

Mr. WELD. Yes, sir.

Mr. VOIGT. What is the object of the packers in coming into the market late?

Mr. WELD. I have explained that before. In the first place, I pointed out that the packing industry is a peculiar one, in that it has no control over its raw material. The markets are often in such a bad condition that we do not wish to buy any stuff at all. You can not find any other industry that has to buy the stuff from day to day as it comes to the market as in the packing industry. As I said, we would prefer some days not to buy at all. We hold off. We do that as individuals, and not in collusion with the other packers. Swift & Co. holds off the market. Say the market price is 15 cents, and we know from the figures in the cost department that that would mean a loss if we buy at 15 cents, we hold off and try to buy at 14.5 cents. We do that individually. Who shall say that we shall go into the market and buy that stuff at 15 cents if we know that it will net a loss?

Mr. Voigt. I want to read a little from this protest. It was signed by 74 commission firms of Chicago, and is dated April 11, 1916, and is addressed to the packers. These commission men say that they protest against "methods that have been used lately to influence violent price fluctuations, apparently not warranted by the natural operations of supply and demand," and also "against the conditions under which the market is now forced to operate." They say that the practice of the packers has been unfair. I will read this paragraph:

> There is, apparently, no good reason why the buyers representing the larger packing interests should refuse to go out and bid on and try to buy stock until a late hour in the forenoon, as has been the custom for the past several years, and in many instances until after the noon hour.

Do you think that practice was justified?

Mr. Weld. I do not think that it showed an understanding of the situation. I think if the commission men had to buy that stuff as it came in from day to day that they would have realized that there might be some reason for holding off buying under certain conditions.

Mr. Voigt. This is a common practice on the part of the five big concerns?

Mr. Weld. I do not know how common it is. It is just as common for them to go out and buy actively early in the morning. During the past three or four years there have been some special reasons for not going early. That is, the stock has not been unloaded in sufficient time in the yards ready to be shown. That is especially true of the past three or four years. Oftentimes all the stuff has not been unloaded until 9 or 10 o'clock in the morning, and has not been fed and watered for the inspection of the packers' buyers until along in the latter part of the forenoon.

Mr. Voigt. It is claimed in this protest that this practice has existed for several years.

Mr. Weld. I am saying that there have been some special reasons during the past three or four years, and I have also been saying that there is no reason in the world why an individual packer should go. If Swift & Co. do not want any more hogs, why should their representative go out into the yards at all?

Mr. Voigt. I agree with you that there is no warrant on the part of an individual packer in doing that, but if these five packers should do this in concert, would you then see any objection to it?

Mr. Weld. Yes, sir; I should. I do not believe that it would be right for them to do that.

Mr. Voigt. There is testimony which has been collected by the Federal Trade Commission to the effect that the buyers for the five packers would ride into the yards simultaneously at a late hour.

Mr. Weld. Yes. We are watching and know when Armour and Wilson go into the yard. They know when we go in, but it does not require any collusion to do that.

Mr. Voigt. You think if they all ride into the yard together at a late hour that would be a normal occurrence?

Mr. Weld. No; I do not think that would be a normal occurrence. As a matter of fact, two or three packers will be on the markets and others will be staying out. That is a very common occurrence, and has been shown by some of the telegrams reproduced by the Federal Trade Commission.

Mr. VOIGT. Do you not think that the protest by these commission firms was aimed at the joint practice on the part of the packers and not at the individual packer?

Mr. WELD. No; I do not think there is any collusion implied in that protest. There is no suggestion or proof of collusion there.

Mr. VOIGT. It is your opinion that if the packers had in single instances stayed off the market until late, this protest would have been made just the same?

Mr. WELD. Not necessarily. It might have been along that particular time when we were losing money on our hogs and cattle, as we have for some weeks on hogs in the last summer and last fall. There may have been quite a period when none of the packers was anxious to buy.

Mr. VOIGT. But the protest says that that practice has continued for several years.

Mr. WELD. The practice of the packers staying off the market, that has always been true. That practice has continued and probably always will continue, although in view of this protest Swift & Co. have ordered its buyers to go out in the morning more and be looking over the stuff and be bidding on it even though we have no particular desire to buy.

Mr. VOIGT. Do the five large packers furnish to each other information from day to day, week to week, or month to month as to the amount of live stock purchased by each?

Mr. WELD. We do not have to. It is public property in the stockyards and is published in the papers.

Mr. VOIGT. I did not ask if you had to; I asked whether there is an interchange of information.

Mr. WELD. I think there is in some markets. How about that, Mr. Chaplin?

Mr. CHAPLIN. Yes; there is.

Mr. VOIGT. That is, you furnish information to each other?

Mr. CHAPLIN. Yes, sir.

Mr. VOIGT. What is the purpose of that?

Mr. CHAPLIN. It is easier to get it that way than to go out and collect it yourself.

Mr. VOIGT. In your line of business it is considered good business for one compeittor to make it as easy as possible for the others to get information about the business as a whole?

Mr. WELD. I think it would do no harm to assent to that. There are other businesses where the competitors find it worth while to have a regular organized association where they obtain information that is much more vital than the quantity of purchases.

Mr. VOIGT. Can you give us any line of business in which a man is willing and anxious to give information about the amount of his purchases or sales to a competitor?

Mr. WELD. I could obtain for you a list of "open-price" associations, where competitors furnish to each other, through their associations, not only the volume of business that they do but their costs of production and the prices at which they sold goods during the previous week or previous months, where they go much further than we ever have or thought of going in the packing industry. It has been a well-known development within the past seven or eight years—these open-price associations; "cooperative competition" it is often called.

Mr. Voigt. That is done only in cases where a manufacturer seeks to control the price at which his product shall be sold.

Mr. Weld. They argue that they are not controlling the price; that they are exchanging information on past occurrences, and that they reach no agreement as to future prices. I am merely pointing out that much more vital information is exchanged in other industries than is exchanged in the packing industry.

Mr. Voigt. The case which you have mentioned is not in point; that is the case where a man who manufactures a given product endeavors to prevent price cutting on the part of those who handle his product.

Mr. Weld. I do not see why it is not "a case in point." It is exchanging vital information among competitors.

Mr. Voigt. Let me ask you this question: Do you know of any man or any corporation in this country which conducts a saw mill——

Mr. Weld (interposing). No, sir.

Mr. Voigt (continuing). Which would volunteer information as to the amount of timber it buys or lumber that it turns out, to a competitor?

Mr. Weld. No, sir. But I would not be at all surprised to find that that is done through some of the big lumber associations. I do not know that it is, but say I say I should no be a all surprised that it is.

Mr. Voigt. Well, if it were done it would be done for some unlawful purpose, to create a monopoly. Would it not?

Mr. Weld. Not necessarily, no.

Mr. Voigt. As a general rule you think that men engaged in the same line of business will furnish information to each other as to the volume of business?

Mr. Weld. I think it is coming to be more and more common for such to be done. I realize there is an important point involved there, and there has been a good deal of discussion during the last few years of these open-price associations which are doing that very thing, and which I say is going much further than is done in the packing business.

Mr. Voigt. These open-price associations are only established for the purpose of controlling a given product; for instance, the concern that manufactures the Gillette safety razor provides that that razor may not be resold by anyone for less than $5. You are familiar with that?

Mr. Weld. Yes; but that is an entirely different matter; that is the control of a resale price.

Mr. Voigt. That concern, in order to maintain that rule, requires that every one who handles the Gillette safety razor shall open up his books to some representative of that company and see that that price standard is adhered to. But, suppose that you or I were manufacturing safety razors, and we should go to the Gillette Safety Razor Co. and ask them to tell us what their razors cost them, and how many razors they sell, do you think that they would volunteer that information?

Mr. WELD. No. But I think if there were a large number of manufacturers of safety razors and there were more or less cutthroat competition, that they might possibly form an association for the exchange of that kind of information, and I say I believe they might do so, for the simple reason I know it has been done in a great many other industries, but that, however, is not done in the packing industry.

Mr. VOIGT. If they did exchange that information it would be for mutual protection and would tend to create a monopoly?

Mr. WELD. I do not know that it would "tend to create a monopoly." Manufacturers are beginning to realize that there is a middle ground between monopoly and between cut-throat competition. One is as bad as the other. There seems to be a place for legitimate competition, and at the same time an exchange of vital information: The real competition exists just the same, even though they do exchange this more or less vital information.

Mr. VOIGT. As a general proposition, do you want to state to this committee that it is customary for business men engaged in the same line of business to furnish information to each other as to the amount of their purchases and sales?

Mr. WELD. I want to say that I am sure there are a great many instances where that is done to a very large extent and to a greater extent than in the packing business, and that we do not exchange information on our costs or our prices.

This particular instance you speak of, that led to this discussion, is giving other packers figures on our purchases. They are things that we can practically see from day to day anywhere, and in Chicago especially we could get it from the daily papers, if we wanted to.

Mr. VOIGT. Is this information available to you in all markets without difficulty?

Mr. CHAPLIN. I think in some markets we do not get it from competitors—we get it ourselves. We can get the information, but it is a good deal of trouble to do it.

Mr. VOIGT. There is no publication which gives the total sales of live stock each day in this country, is there?

Mr. WELD. Not that I know of.

Mr. CAPLIN. I think the live stock papers in most cities show the number that each packer buys.

Mr. VOIGT. And where do they get the information?

Mr. CHAPIN. I think they must get it from the packers.

Mr. VOIGT. Have you before you, Mr. Weld, Volume II of the report of the Federal Trade Commission?

Mr. WELD. Yes, sir.

Mr. VOIGT. I want to direct your attention to a letter found on page 29, written by Mr. E. A. Cudahy, President of Cadahy Packing Co., to M. R. Murphy, general superintendent at South Omaha, Nebr. In the letter Mr. Cudahy says this (reading):

OCTOBER 12, 1911.

Mr. M. R. MURPHY,
South Omaha, Nebr.

DEAR SIR: I am in receipt of your wire about Dold wanting 50 per cent of the hogs at Wichita. He seems to make this claim right along, but I really don't see what he bases this on, except that he just wants the hogs whenever they figure out * * *. It might be well to figure up Dold's buy and our buy by years since we started, and see what percentage of the hogs was really bought.

Does the reading of that letter convey to your mind the existence of any agreement?

Mr. **Weld.** No, sir. It looks as though Dold, one of the smaller packers, had been complaining that he was not getting enough stuff, but he shows very definitely that there was no agreement with Dold.

Mr. **Voigt.** Does it not show to your mind that Dold made a claim that he was entitled to 50 per cent of the cost of the hogs at Wichita?

Mr. **Weld.** It shows that he wanted to get 50 per cent and complained that he had not been able to get them. It does not show any disposition on the part of Cudahy to let him have the 50 per cent.

Mr. **Voigt.** Why did you think this man Dold made a claim to Cudahy that he was entitled to 50 per cent of the hogs?

Mr. **Weld.** I do not know that—just that he felt he wanted to get that much, and he apparently complained to Cudahy and wanted to get Cudahy to lay off, if he could, but Cudahy apparently would not do it.

Mr. **Voigt.** Would not this letter convey to your mind the idea that there had been some previous negotiations between Dold and Cudahy about a division of hogs at Wichita?

Mr. **Weld.** No, sir; it would appear that the thing had been discussed before; that Dold had expressed his desires before.

Mr. **Voigt.** Would it not also convey to your mind that Cudahy thought that Dold was not entitled to 50 per cent, but was entitled to some other per cent?

Mr. **Weld.** No; not necessarily. It looks to me as though Cudahy wanted to get as large a percentage as he could.

Mr. **Voigt.** Then the mentioning of this percentage does not have any significance with you?

Mr. **Weld.** It has no proof; no evidence of an agreement.

Mr. **Voigt.** I grant you this, that this single letter would not constitute proof of any agreement. But, to my mind, it does show that there has been some understanding between these parties about a division of purchases at Wichita?

Mr. **Weld.** It shows only that Dold had apparently been protesting or complaining that he was not able to buy as many hogs as he wanted to at Wichita. That is the trouble with all these things. It is funny, after going through our files for a year and singling out only the things that could be used against us. For every one such letter the Trade Commission left a thousand that would have proven competition and proven just the opposite of the suggestion in this letter. After doing all that for a year they can not find any positive proof. Has that been most significant to you?

Mr. **Voigt.** I think that if there was such an understanding in various markets between the packers that there was very little about it put in writing; and, to tell you my own idea about it, I am surprised to find that there is so much written evidence to show an apparent agreement for the division of purchases.

Mr. **Weld.** Do you suppose we could carry out such an agreement, covering all markets, without a good many people knowing about it and something being said about it?

Mr. **Voigt.** I do find something said about it in these letters that I am going to refer you to.

Mr. **Weld.** All right; go ahead.

Mr. **Voigt**. If there are thousands of letters or any letters which tend to disprove an agreement for a division of purchases, I wish you would produce them.

Mr. **Weld**. Well——

Mr. **Voigt** (interposing). And I make a request of you now to produce any bona fide letters which tend to prove that there was no such understanding among the five packers.

Mr. **Weld**. I think we can undoubtedly do that. I said there are thousands of letters that show the competition between the packers on that specific point, showing that there is no division. There are plenty of letters in our files, especially, of course, in the last two or three years, since this matter came up, explaining and disclaiming that that is the fact. I do not suppose those would mean anything to you, however?

Mr. **Voigt**. If they tend to show that there was no collusion, they would mean something to me. I want to be perfectly fair.

Mr. **McLaughlin** of Nebraska. They would mean more if they were covering the same period of time these other letters were taken from?

Mr. **Voigt**. Yes, sir.

Mr. **Weld**. I think any fair-minded man going over these letters would find enough to convince him that there is no agreement. They are sufficient evidence themselves.

Mr. **Voigt**. The letter I referred to convinced me, and I think will convince one who will fairly and impartially read the letter, that it was a letter containing some sort of an understanding with reference to a division of purchases at that point.

Mr. **Weld**. It merely says that Dold was complaining that he was not getting enough of the business, and that he ought to get 50 per cent. It shows that Cudahy did not feel that way, and did not let him get 50 per cent. It shows that Cudahy went ahead and got all that he could, and it shows positively on its face that there was no agreement. I will admit there is a suggestion as to possible agreement, or of a complaint or possibly even a demand on the part of this smaller packer.

Mr. **Voigt**. Well, if there had not been some talk among these parties about a percentage of purchases, the figures 50 per cent, or any other figure, would never have been used in that letter, in my judgment.

Mr. **Weld**. There are only two packers there, and Dold thought he ought to get 50 per cent of the receipts apparently, and Cudahy thought otherwise.

Mr. **Voigt**. The case is not whether there were two packers or a dozen packers, as long as there was an understanding in regard to percentages.

Mr. **Weld**. It shows there was not any understanding in regard to percentages.

Take the letter on page 38, which is quoted as evidence.

Mr. **Voigt**. In the second paragraph of that letter, which is also written by Mr. Cudahy to Mr. Murphy, Mr. Cudahy states [reading]:

> In regard to our position in the market—the trouble is that there ought to be about 105 per cent to satisfy everybody, but all we are entitled to is 30 per cent, and I think we will have to maintain this percentage, even if it is not satisfactory to the others.

Now, Mr. Cudahy claims in that letter that he is entitled to purchase 30 per cent of the live stock in that particular market.

Mr. **Weld.** All right. You want me to explain that?

Mr. **Voigt.** Did you ever hear of any individual in any line of business who made a claim that he was entitled to purchase a given percentage of a certain commodity? I never did.

Mr. **Weld.** That merely means that, judging by the capacity of his plant and its past business, that he is instructing another man in his organization that "we are to get at least 30 per cent," and he says, "even if it is not satisfactory to the others."

That implies an agreement on the face of it; but it means this, that if the others were not satisfied with Cudahy buying and bidding on that market that the others would become over-aggressive; that is the way they would show their dissatisfaction. The very fact that it says, "there ought to be about 105 per cent to satisfy everybody," shows that each is trying to increase the proportion that has been customary for him to do. You have got to read things into that letter to make out that there is any collusion.

Mr. **Voigt.** Yes; I think the letter shows that somebody was trying to kick over the traces on the percentage that was allotted to him, and Mr. Cudahy figured that if there was another 5 per cent it would pan out all right.

Mr. **Weld.** That is the inference of the Federal Trade Commission, but in the absence of proof, and knowing how we talk about those things in the office of Swift & Co., we know exactly what that means and know it does not involve or suggest to our minds—the people in the business—any fixed agreement. It merely means we are following this percentage so closely from week to week and from year to year, showing what we aim to get and are going to get if we possibly can.

Mr. **Voight.** I understand what your theory is about the expression of percentages, but notice this specific language in Mr. Cudahy's letter. He says: "But all we are entitled to is 30 per cent."

Who entitled him to that 30 per cent?

Mr. **Weld.** That is just an use of language on his part. He means all we are entitled to is that which we have been in the habit of getting—about 30 per cent. If we go over that, we are going to raise Ned in the market, and there is going to be cutthroat competition, and the other fellows are going to get after us and not let us get more than 30 per cent.

Mr. **Voigt.** Then you wish to admit that if you exceeded your customary purchases that there would be cut-throat competition?

Mr. **Weld.** Yes, sir; if we try to exceed our customary purchases in any market, we could not get away with it; that is all. To do that, we would have to raise the bid over the market price, and Morris, Armour, and Wilson would not stand that; they would meet our prices, and there would be cutthroat competition.

Mr. **Voigt.** Then, if I understand you, each one of these five packers are restrained from buying more than his percentage for fear of competition?

Mr. **Weld.** I explained that fully yesterday, that the competition in price is within comparatively narrow limits; that there is competition within these narrow limits. That even so, we buy at too high a price a large part of the time, judging by the results we get on our cattle and hogs; that is, we take such frequent losses.

We are not foolish enough to try to increase our percentage by bidding more than the stuff is worth, especially since we know that the others would do exactly the same thing, would meet our prices and bid the stuff up. They would not let us get away with it if we tried. And we are trying gradually, and we have succeeded some in the last few years in cattle, to increase that percentage, but we do not intend to upset the whole market.

Mr. VOIGT. Then there is a sort of economic force working among the five packers, which holds each one of them down to this given percentage which now prevails?

Mr. WELD. Which prevents cut-throat competition; yes. I will admit that much. There is an economic force that works that out.

Mr. VOIGT. And the competition amongst the packers is adjusted to a nicety by having each one of them buy at the given percentage?

Mr. WELD. No, sir; that is not a fair way to put it at all.

Mr. VOIGT. Let me ask you this question: Suppose that Swift should buy this year 3 per cent less of all live stock than he bought last year, and Armour should buy 3 per cent more of the total purchases by the packers; would that upset competition among them?

Mr. WELD. It certainly would. Armour could never gain 3 per cent on us without having the biggest fight on his hands that he ever had in his life.

Mr. VOIGT. And for that reason he stays where he is and you stay where you are?

Mr. WELD. Rather than incur the heavy losses that would result from any such cut-throat competition; yes, sir.

Mr. VOIGT. Then it is to the advantage of each one of the Big Five packers to maintain the ratio of percentages which now exist?

Mr. WELD. It is to the advantage of each one of the five packers to try not too aggressively to go ahead of that percentage.

Mr. VOIGT. You say they have not varied 1 per cent in the last few years?

Mr. WELD. No, and each packer is doing exactly the same thing, trying to maintain his position and go ahead if he can, but not letting anybody else go ahead.

Mr. VOIGT. I want to direct your attention to a letter found on page 76 of Volume II of the report of the commission, the letter dated Denver, Colo., October 19, 1915, written by Phillip D. Armour, Third, to Mr. J. O. Armour, at Chicago, apparently an intimately personal letter. It starts out [reading]:

> MY DEAR UNCLE OGDEN: Just a line to tell you that Tom and I arrived here from Fort Worth, and had a very pleasant trip.
>
> I can not tell you how surprised I was in going over the plant here. Of all the plants we have, this one certainly needs our first attention. In my opinion, the best part of it is as bad as the worst part of any of our other plants. Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours, both as to the size and condition. Of course, as you know, everything here is done on a 50-50 basis, and with the facilities we have it is almost impossible to keep up with this ratio.

What do you understand he referred to by using the term "50-50" there?

Mr. WELD. I explained that; I said that it meant he intended and he knew that Swift & Co. intended to get at least 50 per cent, and

I showed you that, as a matter of fact, Swift & Co.'s percentage had been increased substantially in the purchase of cattle during the past four or five years, and that, therefore, that in itself showed there was not any agreed division.

Mr. Voigt. What do you think induced Mr. Armour in writing this letter to say that "everything here is done on a 50–50 basis"? Did that refer to some talk or intimation or agreement with some one else for an equal division of receipts at Denver?

Mr. Weld. No, sir. It merely showed that Armour—it was generally understood among the Armour people that they intended to get at least 50 per cent of the purchases there, just as Swift & Co. intended to get 50 per cent of the receipts, and he is very much concerned because their plant is in poor condition, and that they will not be able to get that 50 per cent, and all the figures I have given you showed they were not getting that 50 per cent, but were rapidly falling behind in their percentage of cattle purchases.

Mr. Voigt. All right. That being the case, that they were in very poor shape to handle 50 per cent of the receipts at Denver, it would have been a very easy matter for Swift, in the ordinary conduct of business, to get more than 50 per cent, because they had the larger and better plant, would it not?

Mr. Weld. Yes, sir; and they did. Swift & Co.'s was a newer plant and built more for the future than the Armour plant, too.

Mr. Voigt. Do you know what the figures show there now as between Swift and Armour?

Mr. Weld. Last year, you mean?

Mr. Voigt. Well, for, say, three years back.

Mr. Weld. I gave you figures showing how the—the Trade Commission shows that Armour's had remained practically the same and that Swift & Co.'s proportion of cattle purchased had increased substantially from 47.6 per cent in 1914 to 54.7 per cent in 1917, which is an increase of 15 per cent on its proportion; that is, an increase of 7.1 reckoned on 47.6 means an increase of 15 per cent in its proportion for three years.

Mr. Voigt. Does that apply only to the Denver market?

Mr. Weld. Yes, sir.

Mr. Anderson. You increased 2 or 3 per cent, while Armour was doing some construction work trying to get his plant on the basis of 50 per cent of the business?

Mr. Weld. We increased 7.1 per cent, which was an increase of 15 per cent in our proportion in three years.

Mr. Voigt. You did not vary much during the period of three years from 50 per cent?

Mr. Weld. That is a very substantial increase. If you were in the business and realized what that increase means, you would know that it is a tremendous increase, and a matter of very serious concern to Armour & Co. in the Denver market.

Mr. Voigt. Let me call your attention to a letter on page 108, evidently written by some attorney of Swift & Co., dated September 22, 1915, addressed to Mr. H. B. Collins, second floor. It is stated in that letter [reading]:

"It is impossible from reading a letter or memorandum of telephone message to say how it would sound in a prosecution case. There is certainly no need of houses writing or receiving letters from competitors or talking on the telephone about prices. A general man should be able to know all about prices in a big territory and to instruct his houses specifically."

In that letter one of your attorneys calls attention to the danger of putting certain communications with your so-called competitors in writing, does he not?

Mr. WELD. Now, you have gone into another matter. That is on the matter of alleged agreements in the purchase of produce, especially cream, I think, in this case; and that is a long story, and I can, if you want me, go into it. I do not know that now would be the best time.

I will show you what our policy was in that respect, what difficulties we were up against in the shape of agreements among local cream buyers who were acting as our agents—what difficulties we were up against in living up to the antidiscrimination laws of States in which we were doing business, and the positive instructions that were given to our agents not to enter into any combines; and I will furnish you copies of letters taken from our files by the Federal Trade Commission, but which were not reproduced in its discussion on this subject, which show absolutely what our policy was in trying to overcome such agreements as there were among local agents, which persist to-day and which probably will always persist, but which put the matter in an entirely different light. That whole matter is treated in our "Analysis and Criticism of the Report of the Federal Trade Commission," on pages 84 to 91, and there you will find letters taken from our files by the Federal Trade Commission, but which were not reproduced by the Federal Trade Commission, and which put that matter in an entirely different light.

Mr. VOIGT. You have made a very long answer, but you have not answered my question. This letter, as I understand the context here, does not refer to the purchase of milk or cream. It refers to the managers—called "general men"—of your competitors' branch houses.

Mr. WELD. The "general men"—as I say, we can not go into this thing without telling the whole story. The "general men" were supposed to travel around the country and see that our men, our agents, were posted on general conditions, on price conditions, and also to see that the antidiscrimination laws of the various States were lived up to.

Mr. VOIGT. It was the duty of your general men referred to here to keep in touch with the general men of your competitors?

Mr. WELD. No, sir.

Mr. VOIGT. Well, let me——

Mr. CHAPLIN (interposing). May I say a word?

Mr. VOIGT. Let me get through. You can answer this "yes" or "no," or any other way.

Mr. CHAPLIN. This has nothing to do with meat?

Mr. WELD. This has nothing to do with meat at all. H. B. Collins is the head of our produce department, which handles butter, cheese, and poultry.

Mr. VOIGT. The report of the Federal Trade Commission here shows, on page 108:

> The "general man" policy has worked so successfully in preventing competition between the big packers' branch houses in the selling of meat products,

that the law department of Swift & Co. recommends to the food department of that company the adoption of the same policy in discriminating competition in buyng produce.

Mr. WELD. That is pure assumption; there is no evidence in the report to bear out that statement and that insinuation.

Mr. VOIGT. The Federal Trade Commission does say that it refers to a general manager of one of your branch houses.

Mr. CHAPLAIN. But this has only to do with produce—butter, eggs, cheese, and poultry—this statement in this particular letter.

Mr. VOIGT. Assume it does, here is what is contained in this letter [reading]:

> There is certainly no need of houses writing or receiving letters from competitors or talking on the telephone about prices.

Now, then, your attorney practically here says that in talking with competitors you should not use the telephone for fear of detection, and you should not put anything into writing; is not that what he says in this letter?

Mr. WELD. You will find that the instructions are that there shall not be any collusion with competitors. There are other things I can read into the record, if you are sure you want to go into this now.

Mr. VOIGT. It may be that there is some general instruction about collusion, but your attorney does say here that there is no need of writing or receiving letters from competitors or talking on the telephone about prices——

Mr. WELD (interposing). That is an instruction——

Mr. VOIGT. Just a moment. But he does not say that there shall be no communication of any kind between the "general men" of different concerns.

Mr. WELD. I can show from other instructions that that is exactly what it does mean; that there shall be none. The letter is poorly worded. I can show you from other instructions that that is exactly what it means, that there shall be no collusion.

Mr. VOIGT. I take it that this man is an attorney and that he has a fair degree of intelligence. If that is what he meant to say, all he had to do was to write a very short letter and say that there shall be absolutely no communication of any kind.

Mr. WELD. And he did write many such letters.

Mr. VOIGT. How did he come to write this one?

Mr. WELD. I do not know, except that it means the same thing as those other positive instructions, and the recipients of this letter would understand that was what was meant.

Mr. VOIGT. You read this letter differently than I do; that is all I can say.

Mr. WELD. I say that, in the light of other correspondence and instructions, that were suppressed by the Federal Trade Commission, I can show you that that is what the letter means.

Mr. VOIGT. I believe that is all I want to ask, Mr. Chairman.

The CHAIRMAN. Have you any questions, Mr. Anderson?

Mr. ANDERSON. I understand you to say, Mr. Weld, that there were a number of these so-called 50-50 markets in which the purchasing percentages were arrived at by agreement.

Mr. WELD. I said there is no such agreement. I say that it has worked out almost exactly on a 50–50 basis in Fort Worth and Oklahoma City.

Mr. ANDERSON. Let me call your attention to Mr. Armour's testimony before the Senate committee, page 664, talking about this Fort Worth business. Mr. Armour says [reading]:

> We bought the stockyards. And then when Swift heard we were going down there, he went over and was going to locate a packing house at Dallas, which is only 30 miles, possibly, from Fort Worth; so when we heard that, rather than have Swift building a packing house at Dallas, which was 30 miles away, and divide up and make two stockyards, we sold Swift a half interest. We sold Swift the same amount of interest in the yards that we had, and then at that time he built a plant down there and we built one, and we built at the same time. So that is the way we located at Fort Worth.
>
> Mr. HENEY. Now, when you had this talk with Swift, and suggested to him he come over to Fort Worth, did you not reach an understanding that if he was to come over there it was going to be on a 50–50 basis, that he would own one-half the stock of the yards, or half as much as you did?
>
> Mr. ARMOUR. I think that is the only way he would come over.
>
> Mr. HENEY. Then, that is the way it was done?
>
> Mr. ARMOUR. Substantially; yes, I think.

If that testimony means anything, I think it means that in consideration of Mr. Swift's not establishing a packing plant at Dallas, the understanding was that he was to establish a plant at Fort Worth, and that the business there would be divided 50–50; is that your interpretation of that testimony?

Mr. WELD. Well, hardly. It was merely that they knew from past experience that they would have to operate practically on that basis; that Mr. Armour knew that Swift would be content with nothing less than 50 per cent and Swift knew that Armour would be content with nothing less than 50 per cent; and, as I say, that is undoubtedly the way it is going to work out in St. Paul.

Mr. ANDERSON. That seems to me to bear out the statement I made, that the policy of the Big Five with respect to each other and with respect to business was so thoroughly developed that you all understood what the other fellow was going to do.

Mr. WELD. We know from past experience in competition with these other packers that if we are in a market with Armour & Co. Armour is going to do his utmost to get half the business and not be behind us any.

Mr. ANDERSON. I would understand from this testimony that Armour and you both agreed that you would rather be together at the same stockyards upon a 50–50 basis that 30 miles from each other without any agreement at all.

Mr. WELD. We knew that it would mean to have plants in two different places. We knew that to attract live stock it was necessary to have one big, well-organized stockyards. We knew that there is a feeling among shippers that conditions are better where there are two or more packers than where there is one single packer, and we knew it would be foolish not only for the packing industry but for the live-stock industry to try to establish two separate markets down there in Texas; and we also knew that Armour, if we went together in the same market, would be content with nothing less than 50 per cent, and Armour knew we would feel that same way. If there is anything wrong in that, prosecute us.

Mr. **Anderson**. I do not think that this legislation proceeds on the theory that we are seeking necessarily to deal entirely with criminal activities. It may well be, it seems to me, that legislation might be desirable even in the absence of activities which are in themselves criminal. The matter is one of public policy rather than a question of criminal activity.

Mr. **Weld**. Let me say here, Mr. Anderson, that the prohibitions in your act and in the act that has been reported out in the Senate does specifically prohibit us from doing things that are now criminal.

Mr. **Anderson**. In somewhat different language.

Mr. **Weld**. For example, that we shall not conspire to do this and that, things that are already illegal under the Sherman antitrust law. Those are the principal prohibitions of the regulatory features of the bill that has been presented here and that has been reported out by the committee of the Senate.

Mr. **Anderson**. Which, according to all the testimony, has not prevented you from doing the things and committing the violations you refer to.

Mr. **Weld**. From all the testimony you can not point to a single bit of proof that we have not lived up to the law.

Mr. **McLaughlin** of Nebraska. Then there can not be any objection to these proceedings covering the existing law and other law to make it better to operate.

Mr. **Weld**. We are now getting into the matter of general legislation, and I will say that to give any commission power to pass any rules and regulations as it may deem necessary to carry out those provisions is a very positive danger to the packing industry, and I think I can prove it to you. Suppose, for example, that that commission decided that the price of pork loins had been held up because of the manipulation or combination among the packers when the price of live hogs was going down. Suppose that it had such a prejudiced point of view on that particular point as certain public officials now seem to have. They could put us in an entirely wrong light in the eyes of the public and could do us an irreparable injury.

Mr. **Anderson**. Then I suppose that if there was a collusion where there should be an open market that there ought to be no public inquiry of the question at all.

Mr. **Weld**. No, sir; there is a law to prevent any collusion in the matter of the sort. There is no need of any further law about that.

Mr. **Anderson**. That is your judgment.

Mr. **Weld**. Will two laws prevent a thing any better than one will?

Mr. **Anderson**. Yes; I think sometimes they do; that is to say, we have, for instance, in the antitrust laws provision for criminal prosecution as well as civil remedies. The antitrust law is very general in character; it has taken a long time to develop even a few practices under that law which are illegal.

Mr. **Weld**. All right. I have no objection to your strengthening your antitrust law, and that was done in the Clayton law.

Mr. **Anderson**. There would probably be a difference of opinion as to whether the Clayton law did really strengthen the Sherman antitrust law or not.

Mr. **Weld**. I will say an attempt was made to strengthen the Sherman antitrust law on that subject in the Clayton law; and any law that is aimed to strengthen laws should be, of course, general to all industries. You know that as well as I do.

Mr. ANDERSON. The chairman has just asked me if there was an attempt to strengthen or to weaken. I will say that, inasmuch as I voted for the Clayton Act, I shall assume that if the purpose was not to strengthen it I should not have voted for it; but I doubt very much if it accomplished that purpose.

I want to inquire just a little bit further into these cabalistic percentages that we have been discussing here for the last hour or so. There appears to have been an arrangement of some sort going back as far as 1890, during which these percentages were made the basis of allocation of shipment or of division of territory in part of the United States. Am I correct about that?

Mr. WELD. Arrangements from 1890 to 1902 allocating the shipments of fresh beef to certain parts of the United States.

Mr. ANDERSON. And those percentages—the basis of that allocation were substantially the percentages which have been read here into the record a half dozen times.

Mr. WELD. Practically; they have not varied much.

Mr. ANDERSON. And the relative percentages of purchases of hogs and sheep and cattle in the country as a whole since that time have not varied more than a fraction of 1 per cent from these percentages.

Mr. WELD. Probably not; they varied very little.

Mr. ANDERSON. Now then, during that period of at least 30 years a great many changes have taken place in the industry; the center of the cattle industry has moved from the Mississippi Valley out to the West; is that true?

Mr. WELD. It has moved westward; I don't know how much it has moved westward in the last 30 years. Of course, some of the cattle ranges of the West were more important 30 years ago than they are to-day.

Mr. ANDERSON. In 1905, it strikes me that the commissioner of corporations then stated that in the Mississippi Valley, the States of Minnesota, Nebraska, Iowa, and Missouri, and Illinois, and Kansas a large percentage of the cattle were raised.

Mr. WELD. Raised or fed there?

Mr. ANDERSON. The percentages of cattle which come to the market daily vary very widely?

Mr. WELD. Yes; the receipts vary from day to day and from week to week.

Mr. ANDERSON. And from year to year?

Mr. WELD. Yes; there has been considerable variation.

Mr. ANDERSON. Now, isn't it a very strange thing that despite this wide variation, or these wide variations, in the receipts at the different markets, from day to day and from week to week and from month to month, that these percentages of total cattle purchased should have been practically constant for a period of 30 years?

Mr. WELD. Yes; it is a very strange thing. As I have already pointed out it is a most interesting thing.

Mr. ANDERSON. You are of the opinion that that results entirely by chance and without a purpose or effort on the part of the Big Five to make it so?

Mr. WELD. Yes, sir; it results from competition; there are no agreements to divide the purchases of cattle or hogs.

Mr. ANDERSON. Do you mean to say that if the purchases of Swift & Co. at Fort Worth should show indications of exceeding your percentage of 50 at that market for a single year that that would have no effect upon the volume of your buying at that market?

Mr. **Weld.** How is that? [To the reporter:] Will you please read the question?

(The reporter thereupon read to the witness the question as last above.)

Mr. **McLaughlin** of Nebraska. Do you mean Swift or Armour?

Mr. **Anderson.** Either one; they are both there.

Mr. **Weld.** I am not sure I get the point.

Mr. **Anderson.** Well, it is admitted that the buy of Armour and Swift at Forth Worth has been on a 50-50 basis since the beginning there.

Mr. **Weld.** I don't know about that; each has aimed to get 50 per cent.

Mr. **Anderson.** And have been able to do it?

Mr. **Weld.** Probably; I don't know how the figures run.

Mr. **Anderson.** Now, do you claim that that is entirely a matter of accident and not to any extent a matter of intention or of purpose on the part of Swift & Co. and of Armour & Co.?

Mr. **Weld.** I mean to maintain that that is a result of competition between the two concerns, without any agreement; that there is no agreement.

Mr. **Anderson.** Of course, I don't think anybody is charging that there has been anything so crude in this affair as a day-to-day or week-to-week or month-to-month agreement between anybody.

Mr. **Weld.** The Trade Commission report says there is an agreement.

Mr. **Anderson.** Well, the testimony that I read shows very clearly, I think, that there was an understanding as to Fort Worth.

Mr. **Weld.** There was an understanding that each realized that the other would be satisfied with no less than 50 per cent.

Mr. **McLaughlin** of Nebraska. That is not the way Armour put it in his testimony.

Mr. **Anderson.** No; it is not. If there is such an understanding, it is perfectly clear that both parties have kept the understanding.

Mr. **Weld.** That it has worked out the way it was expected to work out, and the way it will work out at St. Paul, although there is no agreement to divide the business there, and Armour is starting out with a big plant, well equipped.

Mr. **Anderson.** All the agreement there was at Fort Worth was that the two concerns should have plants of equal capacity and that they would both try to get 50 per cent of the cattle and hogs reaching that market.

Mr. **Weld.** Each understood that the other would not be satisfied with less than 50 per cent, and that it undoubtedly and inevitably would work out that way.

Mr. **Anderson.** And it did work out that way?

Mr. **Weld.** Yes, sir.

Mr. **Lightfoot.** You mean 50 per cent of what is left after what anybody else buying on the market wants?

Mr. **Weld.** I mean that each would practically do a like amount of business in the way of purchasing live stock.

Mr. **Anderson.** Now, the receipts at Fort Worth vary the same as they do at other markets, do they not?

Mr. **Weld.** Yes, sir.

Mr. **Anderson.** And despite the variations from day to day and from week to week and from month to month in the receipts of live stock in the Fort Worth market, the purchases there have been continually on the basis of 50–50 between Swift and Armour?

Mr. **Weld.** I don't know whether they have been so continually. I know up to the last year or two they worked out almost an exact 50–50; there was practically no difference; one only bought a few hogs more than the other.

Mr. **Anderson.** I think the testimony shows here that in one year they were only four cattle apart.

Mr. **Weld.** They were practically the same.

Mr. **Anderson.** Now, during this period when these percentages have been remaining constant, Swift & Co. has extended its business in various lines, has it not; it has gone into other lines of business; well, Armour & Co. have gone into the grain business; all of you have gone into the oleomargarine business, and extended your business in various lines?

Mr. **Weld.** Yes, sir.

Mr. **Anderson.** There have been great changes, both in the number and character of the subsidiary companies which you have maintained, and which Armour has maintained; changes in ownership of the stockyards; proportionate membership in the stockyards, and things of that sort. Notwithstanding all of these changes in your business and the relation of your business to other packers, these cattleistic percentages continued to remain constant from year to year?

Mr. **Weld.** The different companies have developed a partout; if Armour puts up a new plant we try to find a place to put up a new plant.

Mr. **Anderson.** And you do it with such success that without any understanding, collusion, or anything else, the percentages remain constant within a fraction of 1 per cent?

Mr. **Weld.** Without any agreement as to the division of the receipts.

Mr. **Anderson.** It remains constant although Cudahy has remained only in the meat business, and you and the rest of them have branched out in the other lines?

Mr. **Weld.** Yes; that does not have anything to do with it. Our meat business is the one that we pay most attention to. And as I say, we have developed our meat business in the same proportion as the others have, and our facilities for handling our meat business.

Mr. **Wilson.** Let us adjourn and go on to-morrow.

Mr. **Anderson.** I think we could possibly finish on this subject and make time by finishing on it to-night.

Mr. **Weld.** I would like to get this thing off and be able to go on with some other things. I have only begun, especially with the Federal Trade Commission.

Mr. **Anderson.** We want you to have every opportunity to discuss the Federal Trade Commission that you want to. But I want to ask one or two more questions.

(And thereupon, at 5.55 o'clock p. m., the committee adjourned until 10 o'clock to-morrow morning.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

SATURDAY, MARCH 13, 1920

PART 16

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

166702

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

Committee on Agriculture,
House of Representatives,
Saturday, March 13, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

STATEMENT OF MR. L. D. H. WELD, MANAGER COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO, ILL.—Resumed.

The **Chairman**. Are you ready to go on, Mr. Rainey?

Mr. **Rainey**. Yes, sir; Mr. Weld is ready to proceed.

The **Chairman**. You may proceed, Mr. Weld.

Mr. **Weld**. Are there any other questions on the divided percentages?

Mr. **Anderson**. Yes, sir; I should like to ask you a few questions about the remarkable new economic law which you have discovered.

The figures submitted by the Bureau of Markets, which I put into the record, show that there was an increase in the percentage of the slaughter of the Big Five, as compared to the total inspected cattle west of the Mississippi River during the period from 1909 to 1918, of about 12 per cent in cattle, 10 per cent in sheep, and about 6 per cent in swine. The Big Five increased their percentage of the buy the country over. Is it not a very strange thing that none of the Big Five were able to increase their relative proportion of the total increase of the Big Five?

Mr. **Weld**. No, sir; I do not think so, in view of all the circumstances. It showed that each increased approximately the same proportion and that the same conditions of face-to-face competition in the large public markets obtained just the same.

Mr. **Anderson**. I think that might be offered as an explanation if these increases from year to year were progressive and in the same degree, but they are not, the early years showing a decrease in the percentage of the five big packers and the later years an increase. It is very difficult for me to explain satisfactorily to myself the maintenance of this percentage of the kill as between the Big Five.

Mr. **Weld**. Each packer looks out himself to see that he does not lose ground to the other packers, whether the total kill is large or small, or whether the proportion of the total kill in the country is large or small.

Mr. **Anderson**. Nobody can know in advance what the kill is going to be?

Mr. **Weld**. I said there is no such agreement. I say that it has worked out almost exactly on a 50–50 basis in Fort Worth and Oklahoma City.

Mr. **Anderson**. Let me call your attention to Mr. Armour's testimony before the Senate committee, page 664, talking about this Fort Worth business. Mr. Armour says [reading]:

> We bought the stockyards. And then when Swift heard we were going down there, he went over and was going to locate a packing house at Dallas, which is only 30 miles, possibly, from Fort Worth; so when we heard that, rather than have Swift building a packing house at Dallas, which was 30 miles away, and divide up and make two stockyards, we sold Swift a half interest. We sold Swift the same amount of interest in the yards that we had, and then at that time he built a plant down there and we built one, and we built at the same time. So that is the way we located at Fort Worth.
>
> Mr. **Heney**. Now, when you had this talk with Swift, and suggested to him he come over to Fort Worth, did you not reach an understanding that if he was to come over there it was going to be on a 50–50 basis, that he would own one-half the stock of the yards, or half as much as you did?
>
> Mr. **Armour**. I think that is the only way he would come over.
>
> Mr. **Heney**. Then, that is the way it was done?
>
> Mr. **Armour**. Substantially; yes, I think.

If that testimony means anything, I think it means that in consideration of Mr. Swift's not establishing a packing plant at Dallas, the understanding was that he was to establish a plant at Fort Worth, and that the business there would be divided 50–50; is that your interpretation of that testimony?

Mr. **Weld**. Well, hardly. It was merely that they knew from past experience that they would have to operate practically on that basis; that Mr. Armour knew that Swift would be content with nothing less than 50 per cent and Swift knew that Armour would be content with nothing less than 50 per cent; and, as I say, that is undoubtedly the way it is going to work out in St. Paul.

Mr. **Anderson**. That seems to me to bear out the statement I made, that the policy of the Big Five with respect to each other and with respect to business was so thoroughly developed that you all understood what the other fellow was going to do.

Mr. **Weld**. We know from past experience in competition with these other packers that if we are in a market with Armour & Co. Armour is going to do his utmost to get half the business and not be behind us any.

Mr. **Anderson**. I would understand from this testimony that Armour and you both agreed that you would rather be together at the same stockyards upon a 50–50 basis that 30 miles from each other without any agreement at all.

Mr. **Weld**. We knew that it would mean to have plants in two different places. We knew that to attract live stock it was necessary to have one big, well-organized stockyards. We knew that there is a feeling among shippers that conditions are better where there are two or more packers than where there is one single packer, and we knew it would be foolish not only for the packing industry but for the live-stock industry to try to establish two separate markets down there in Texas; and we also knew that Armour, if we went together in the same market, would be content with nothing less than 50 per cent, and Armour knew we would feel that same way. If there is anything wrong in that, prosecute us.

Mr. ANDERSON. I do not think that this legislation proceeds on the theory that we are seeking necessarily to deal entirely with criminal activities. It may well be, it seems to me, that legislation might be desirable even in the absence of activities which are in themselves criminal. The matter is one of public policy rather than a question of criminal activity.

Mr. WELD. Let me say here, Mr. Anderson, that the prohibitions in your act and in the act that has been reported out in the Senate does specifically prohibit us from doing things that are now criminal.

Mr. ANDERSON. In somewhat different language.

Mr. WELD. For example, that we shall not conspire to do this and that, things that are already illegal under the Sherman antitrust law. Those are the principal prohibitions of the regulatory features of the bill that has been presented here and that has been reported out by the committee of the Senate.

Mr. ANDERSON. Which, according to all the testimony, has not prevented you from doing the things and committing the violations you refer to.

Mr. WELD. From all the testimony you can not point to a single bit of proof that we have not lived up to the law.

Mr. MCLAUGHLIN of Nebraska. Then there can not be any objection to these proceedings covering the existing law and other law to make it better to operate.

Mr. WELD. We are now getting into the matter of general legislation, and I will say that to give any commission power to pass any rules and regulations as it may deem necessary to carry out those provisions is a very positive danger to the packing industry, and I think I can prove it to you. Suppose, for example, that that commission decided that the price of pork loins had been held up because of the manipulation or combination among the packers when the price of live hogs was going down. Suppose that it had such a prejudiced point of view on that particular point as certain public officials now seem to have. They could put us in an entirely wrong light in the eyes of the public and could do us an irreparable injury.

Mr. ANDERSON. Then I suppose that if there was a collusion where there should be an open market that there ought to be no public inquiry of the question at all.

Mr. WELD. No, sir; there is a law to prevent any collusion in the matter of the sort. There is no need of any further law about that.

Mr. ANDERSON. That is your judgment.

Mr. WELD. Will two laws prevent a thing any better than one will?

Mr. ANDERSON. Yes; I think sometimes they do; that is to say, we have, for instance, in the antitrust laws provision for criminal prosecution as well as civil remedies. The antitrust law is very general in character; it has taken a long time to develop even a few practices under that law which are illegal.

Mr. WELD. All right. I have no objection to your strengthening your antitrust law, and that was done in the Clayton law.

Mr. ANDERSON. There would probably be a difference of opinion as to whether the Clayton law did really strengthen the Sherman antitrust law or not.

Mr. WELD. I will say an attempt was made to strengthen the Sherman antitrust law on that subject in the Clayton law; and any law that is aimed to strengthen laws should be, of course, general to all industries. You know that as well as I do.

Mr. **Anderson.** So the arrangement or whatever you may call it, lack of arrangement, economic law, or whatever it is, that determines the percentage of your buy at Fort Worth and St. Paul and elsewhere helps to maintain the percentage of each of you in the buy all over the country?

Mr. **Weld.** That market contributes.

Mr. **Anderson.** If there was not this economic law or the law of chance or the law of averages or whatever it is under which you take 50 per cent at Fort Worth and 50 per cent at St. Paul and 50 per cent at Denver, and somebody else takes 50 per cent of the buy, it would be practically impossible to maintain this ratio of averages, which has been in force since 1902, would it not?

Mr. **Weld.** I do not just get your question or just the point which you are making.

Mr. **Anderson.** My point is this: That any considerable change in the relative proportion of stock which you buy in any stock market would change your relative position or your relative percentage of the entire buy in the country?

Mr. **Weld.** Yes; that is true. But you know a considerable change in one market—for example, like Fort Worth—is relatively small and would affect the total number slightly. The total number of hogs that the five large packers buy would be probably 20,000,000, and 1 per cent of 20,000,000 is 200,000; so that a change of 100,000 one way or the other at Fort Worth alone would affect the total percentage for the whole country only a fraction of 1 per cent.

Mr. **Anderson.** That is very true.

Mr. **Weld.** That is a very important point.

Mr. **Anderson.** I am not questioning the correctness of that statement so far as it goes, if your arrangement or law or whatever you call it affected only one market.

Mr. **Weld.** That would increase our buy of hogs at Fort Worth 100,000 over the fifty-fifty basis, and if Armour fell behind 100,000 that would probably amount to several per cent in Fort Worth.

Mr. **Anderson.** Yes, sir.

Mr. **Weld.** Now, that would make a difference of only half of 1 per cent for the total of the country?

Mr. **Anderson.** That is very true as to one market; but the point that I am trying to bring out is that without the operation of this remarkable law to which you have referred the industry would tend not toward a static condition?

Mr. **Weld.** Which we have found to obtain in other industries.

Mr. **Anderson.** Under the operation of this law the percentages would not remain constant unless the percentages remained relatively constant in all of the markets?

Mr. **Weld.** The variation in the different market would offset each other according to the general law of averages. You would have to have a decided tendency in a number of different markets to affect the general average for the whole country.

You would have to have one single packing house forge ahead in two or three other markets, a very substantial variation, to affect the proportion for the whole country to any noticeable extent.

Mr. **Anderson.** In view of the fact that Swift & Co., I think, I am not certain, but according to my recollection, has forged ahead in unrelated and other business, it seems to me astonishing that they have not been able to make any change in their relative buying of cattle, hogs, and sheep.

Mr. **Weld**. That is an entirely different proposition. In the first place, we do not buy that stuff in open public market places in face to face competition where we can see what our competitors are doing from day to day. In fact, we buy according to the methods of Swift & Co., largely out in the country through their own produce agents, whereas the others buy through wholesalers.

Mr. **Anderson**. Of course, if you did not know what Armour was buying at Fort Worth it would be utterly impossible for you to maintain anything like a fifty-fifty arrangement.

Mr. **Weld**. If we did not know what Armour was buying from day to day in Forth Worth it would still work out to the approximate result, just as it does in the case of Montgomery, Ward & Co. and Sears, Roebuck & Co., who do not know what the other is doing.

It works out more closely in the packing industry, because the competition is more concentrated and open, as each can see what the competitors are doing.

Mr. **Anderson**. Mr. Voigt has handed me a statement of the sales of Montgomery, Ward & Co. and Sears, Roebuck & Co., a statement from Moody's Manual, beginning with 1912. This statement seems to show that in 1912 Sears, Roebuck & Co. did 88.6 per cent of the total business done by both of them; in 1913, 69 per cent; in 1914, 71 per cent; in 1915, 75 per cent; in 1916, 70 per cent; in 1917, 71 per cent; and in 1918, 72 per cent. Now, there was a considerable fluctuation in the relative proportion of business done by those two concerns. That fluctuation is still more marked, apparently, in the years preceding 1913.

Mr. **Weld**. Which one would expect.

Mr. **Anderson**. Why?

Mr. **Weld**. Because it was a new business just developing. The figures I had, I think—I have not them with me—ran from 1913 through 1918, and thing that during those five or six years that the largest variation was something over 1 per cent.

Mr. **Anderson**. The largest variation between these years is apparently 10 per cent.

Mr. **Weld**. That is previous to 1913. Take the last three years and you have enough to make a case, without having a series of years, and even if you establish a case of fairly constant percentages, that can not me accepted as prima facie evidence of a combination by an agreement.

Mr. **Anderson**. I do not think that it is evidence which might be termed "legal evidence." I think unless it was very satisfactorily explained it would be a very strong indication of agreement especially in a business which was apparently highly competitive and in which it was alleged that there was no control either over the receipts at the individual markets or at all of the markets or over the price to be paid at those markets or over the price to be received for the products.

Mr. **Weld**. I am not sure that I get your point. Is there anything for me to answer?

Mr. **Anderson**. No, sir; I think not.

Of course, that suspicion, if I may call it a suspicion—that indication is rather increased by the fact that these percentages are the same percentages which were the subject of agreement prior to 1902.

Mr. WELD. That does help in the suspicion; yes.

Mr. VEEDER. Except that those percentages were likewise based on business. The percentages are not abritrarily adopted but are based on actual business transacted and the percentages which were adopted in 1902 and the years prior were likewise based on actual business transacted.

Mr. VOIGT. It is true that the figures at one time agreed upon correspond with the business then and the business now and the business corresponds with the agreed business?

Mr. WELD. The business now corresponds approximately with what it was under the old agreement. That is very true, but yet you have not furnished any evidence that there has been any agreement since 1902.

Mr. VEEDER. I do not think that the business done prior to 1902 would have been any different relatively than it was if there had been no agreement, that is, that the volume of business done prior to 1902 would have been any different if there had been no agreement.

Mr. YOUNG. If that is true, why did you find it necessary to have an agreement at all, if the percentages remained the same, why the necessity for any such agreement?

Mr. VEEDER. I will tell you. The agreement was not made for the purpose of changing the relative position of the packers or for keeping them uniform. The agreement was adopted for the purpose of avoiding glutting the market of the East with beef with a resulting loss. The scheme was adopted to steady the market and to make certain a reasonable profit on the meat sold, and also to enable the packers to know when they bought the live stock that they were going to be able to sell the meat and not have to dump it upon a glutted market. That agreement worked for the benefit of the packer and it worked for the benefit of the producer, by steadying both the meat market and the live-stock market.

Mr. ANDERSON. In the first place the arrangements were with the Big Five?

Mr. VEEDER. Yes, sir; that is true. The Big Five were the principal shippers of beef from the West to the East, just as they are to-day.

Mr. ANDERSON. They had then, as they have now, a sufficient proportion of the business so that any agreement which they might make would not very materially affect the percentage of business done by the others?

Mr. VEEDER. Permit me to call your attention to this: The Big Five are absolutely limited in the effect they can have on prices because of the local competition. If in any one of the markets they ship to they cut off the supply of meat sufficiently so that the price goes up, there are always plenty of people who, without branch houses, are ready to ship into any market which shows a good profit, and they are absolutely limited in the price they can get for their meat by the local slaughterer who supplies the local demand at that place, and whenever the price charged by the large packer for his meat exceeds the point where the local man can go in and buy the live stock and slaughter it and sell it to the consumer, then at that point the local man will do so. One of the best instances of that occurred during the packer strike in 1904. At that time the large packers' plants were all shut down by the strike. Swift & Co., assuming that as a result of that fact there would be a decided shortage of meat on the eastern market notified their branch houses accordingly, that they would not be able to ship them and to hold their beef so as to carry the supply during the week instead of selling it out in a few days, until they found that they could open up some plants. But the price of meat did not go off, as expected, and the supply did not fall off.

The reason was that when the small people around the country, local butchers and dealers, discovered that the packers were not going to ship meat to them, they went on the market and bought the live stock that had come on the market, which the large packers could not buy, and they shipped them and slaughtered them themselves, and they will do that every time that the big packers' charges exceed the point where they can themselves buy live stock, slaughter it, and make a profit.

Mr. Hulings. Did they make a profit or sell at a loss?

Mr. Veeder. No; they undoubtedly made a profit.

Mr. Hulings. The point I am making is this, if this little force all around over the country, if they were able to supply the market at about the prices which the packers had been charging, whether if the packers, by great business sagacity and the employment of economists were able to do it a great deal cheaper than the little local butcher, would not that, assuming that was done, impose too great a profit on the consumer?

Mr. Veeder. No. The point is this: The local dealer loses a certain amount of the animal in wastage that he can not utilize as the packer does. Of course, the price went up some, but it did not go up anything like the degree that was expected, and there was no particular scarcity on the market, because the price did go up enough to permit the local man to come in and buy and slaughter meat at a profit which caused him to do so. He would not do it if he did not get something out of it. He would not do the business at a loss. The price went up enough to enable him to buy the live stock and slaughter it and sell it to the consumer, wasting that part of the animal which he could not utilize. Actual experience shows that there is an absolute limit upon the large packer's ability to raise his price.

Mr. Young. The agreement which you speak of was not for the purpose of maintaining these percentages of business, but to avoid any glut in the eastern markets?

Mr. Veeder. Yes, sir.

Mr. Young. Since those agreements no longer exist, how do you avoid glutting in the eastern markets and yet maintain the same percentages?

Mr. Veeder. The reason is that as the years have gone on we have improved the facilities. For instance, Swift & Co. has private wires of communication with all the markets in the East, whereas in those days they had communication with just a few of the large markets, New York, Boston, and points along those trunk lines. To-day they have wire communication with all of the markets, and they get reports from all of the markets, reports of conditions, quantity on hand,

and so forth. As a matter of fact we do not avoid gluts altogether to-day, but they do not have the same extent of gluts on the market these days, as I have said, because of better organization of business which has been developed.

Mr. ANDERSON. At the time that this agreement was developed there was not that degree of utilization of by-products that there is to-day?

Mr. VEEDER. Practically so. The only reason that the large packer has ever been able to ship into the eastern market and sell his meat there is the fact that he could put his meat on the local market at a price lower than the local man could buy the live stock, ship the live stock, and slaughter it, and put that meat on the market. That has always been true.

Mr. ANDERSON. In view of the fact that Mr. Armour's figures reported before the Senate committee show an offal credit per head of $10 saved by the big packer which can not be saved by the small butcher, and assuming that the total cost of handling an animal is only $10, the small butcher does not have very much of a chance under present conditions?

Mr. VEEDER. I do not know that I follow your question. The margin between the point at which the local dealer can come in and himself slaughter and sell the meat is not very large.

Mr. ANDERSON. The only question I am asking is this: If there is such a great difference between the full utilization of the by-products and no utilization of them at all, how can the small butcher compete?

Mr. VEEDER. It is sufficient to keep the small packer out of the business so long as the larger packer can come in and sell under ordinary conditions. In other words, it is more profitable for the local man ordinarily to sell the large packers' product than himself to ship live stock and slaughter the live stock and sell it.

Mr. ANDERSON. That has a tendency to reduce the number of small packers or small butchers greatly and to reduce the competition in the business?

Mr. VEEDER. Of course, you remember that the bulk of the live stock is raised in the West, and that it must be shipped East. I am not speaking of the local stock raised right around Baltimore or Washington. That is not sufficient to meet the demand in those cities. The small packer goes in and handles that as cheaply as he can, utilizing the by-product to the extent that he can. At the time of the strike he had to go to the western market and buy the live stock and ship it; but he finds that the big packer can deliver that meat at his city cheaper than he himself can go out West and buy the live stock and bring it down and slaughter it to supply his customers.

Mr. ANDERSON. That is due in part to the shrinkage?

Mr. VEEDER. The shrinkage would be the same whether the small man or the big man shipped it.

Mr. ANDERSON. I assumed that you were comparing the ability of the packers up in New York to ship cattle from west of the Mississippi River and butcher them in New York and sell them with that of the Chicago packer, shipping them a shorter distance from the West, and then shipping the beef from Chicago to New York?

Mr. VEEDER. But let me call your attention to another thing.

Mr. ANDERSON. Let us get off one thing at a time.

Mr. VEEDER. I was just trying to finish an answer to what you had just stated.

Mr. ANDERSON. Very well.

Mr. VEEDER. This problem is not simple, it is complex. There are considerable shipments of western stock to New York City for the purpose of slaughter and sale. That is brought about by the peculiar fact that there is a very large Jewish population in New York which demands that the meat they eat shall be slaughtered under certain peculiar circumstances, and that it must be eaten within a limited time.

Mr. ANDERSON. That has nothing whatever to do with the proposition that we are discussing, because in that situation there is a factor that takes that out of the operation of the ordinary economic rule.

Mr. VEEDER. As an exception.

Mr. ANDERSON. Yes, sir.

Mr. VEEDER. I wish to point out that exception.

Mr. ANDERSON. The fact still remains that under normal conditions the small packer can not ship from the West to New York and slaughter there as cheaply as the Chicago packer can ship from the West and butcher there and ship to New York?

Mr. VEEDER. That is the ordinary rule; that is why the big packer has grown to be what he is. Of course, the price fluctuates naturally at times, and you will find very quickly that if the price permits the local man will buy the live stock and ship them.

Mr. HULINGS. Largely because the big packer can utilize the by-products which the small fellow can not do?

Mr. VEEDER. Very largely that, and the fact that the big packer is housed in the West and uses a large supply of by-products as materials, which would otherwise be wasted, such as blood and such things; that has quite a little to do with it.

Mr. TINCHER. Would not this be a good time to take up the decree?

Mr. WELD. I would like to continue with my statement.

The CHAIRMAN. Is it your understanding that the local people are at liberty to do their own butchering for their trade?

Mr. VEEDER. Oh, yes.

The CHAIRMAN. Has that always been customary?

Mr. VEEDER. Yes, sir. I do not know just what you mean by the question, but I know of nothing which would prevent the local people from buying in the West and shipping.

The CHAIRMAN. Is not the local butcher discriminated against if he does his own butchering; that is, in the sale of the by-products?

Mr. VEEDER. No. In the first place, there are various packers from whom he can buy, and in the next place he can go onto any market and buy his own live stock. For instance, the butchers in New York buy their green meats from packers in the West, not always the big packers, frequently from Kingan and others. For instance, you take the Beechnut Co. at Canajoharie, N. Y., and what they put upon the market is meat that has a very particular cure. They do not slaughter. They buy what they call green meat and they give it the particular cure that makes it popular with their trade.

Mr. PURNELL. In connection with this question of percentages, what percentage of the total supply do the so-called Big Five purchase?

Mr. VEEDER. Of the total supply of the country?

Mr. PURNELL. Yes, sir.

Mr. VEEDER. Probably 40 per cent, something like that.

The CHAIRMAN. Is it not a fact that where a local butcher slaughters live stock and has a shop that you often establish one next door in the same town?

Mr. VEEDER. No, sir; the packers have never indulged in any such practice.

Mr. CHAPLIN. The Big Five do not have any markets.

The CHAIRMAN. Are the Big Five in the habit of locating their branches in the neighborhood of some local competitor for the purpose of keeping him from doing business?

Mr. VEEDER. With reference to the location of branches, they are located in the neighborhood of other meat-selling establishments. They try to locate at centers where people are coming to buy meats. There is a tendency to have the branches near where the purchasers of meat shop, and purchasers go from shop to shop and buy where they can buy cheapest.

Mr. WELD. I believe that I can answer the chairman's question.

The CHAIRMAN. I think it is clear enough to be answered, simply that the local agencies are owned by the packing houses.

Mr. WELD. As retailers or wholesalers?

The CHAIRMAN. Retailers.

Mr. WELD. The packers are not engaged in the retail business; they do not retail.

The CHAIRMAN. You contend that they are not?

Mr. WELD. Yes, sir; I contend that to be the fact.

The CHAIRMAN. You state that to be the fact?

Mr. WELD. Yes, sir; I state that to be the fact. The five big packers do not engage in the retail business with the one exception that at every packing house they have a retail market for the convenience of the employees. They have no retail markets at which they sell to the public.

The CHAIRMAN. Have they not in the past?

Mr. WELD. No, sir.

The CHAIRMAN. Do you not have them at Janesville, Wis., and Cedar Rapids?

Mr. WELD. No, sir. I am speaking of the Big Five.

There was a case in Portland, Ore., where the Union Meat Co. was bought that owned some retail stores. Those have been done away with. You can not find any exception to that general statement. We are not in the retail meat business. It is not our purpose to be in the retail meat business and never has been, and now, under the decree, we are enjoined from ever being in the retail meat business.

The CHAIRMAN. I did not know that that was denied.

Mr. WELD. There have been half a dozen retail stores that were operated by plants that we have taken over, but which have been been done away with, half a dozen.

The CHAIRMAN. How many did you locate?

Mr. CHAPLIN. Four, all told.

The CHAIRMAN. Please state where you located them?

Mr. CHAPLIN. Three in Oregon, I think, one in Chicago, one in Boston, in Faneuil Hall Market.

Mr. VEEDER. And one in St. Louis.

The **Chairman**. In cities where you have your packing houses?

Mr. **Weld**. Yes, sir. We have no retail stores in country towns in competition with the local butchers in the country towns all over the country. We do not discriminate against those local butchers in any way.

The **Chairman**. You have none; what about in the past?

Mr. **Weld**. We have never had.

The **Chairman**. Do you speak for all of the five packers?

Mr. **Weld**. No; I speak for Swift & Co. in that respect.

The **Chairman**. Have you any knowledge of the others?

Mr. **Weld**. No, sir; I know from their general practice that they do not operate such retail stores. I will not say that they never had any stores.

The **Chairman**. You never looked that up?

Mr. **Weld**. No, sir. I think I can say for all the packers that they have never done that.

Mr. **Wilson**. As a rule, how long have you owned these stores?

Mr. **Weld**. I do not know; relatively a short time. There is another case up in Canada. We bought a plant in British Columbia that had some stores. Those we have been disposing of. That is all within the last two or three years. We do not like to go into the retail business, never wanted to and never intended to.

Mr. **Tincher**. What do you say about this practice, Mr. Weld: Take a little town where they have one or two meat markets, as we call them in the West, and where the butcher is butchering the meat that he can; that is, the product for his trade, and he is butchering it all, but he is handling Swift's hams and some of Swift's bacon and things of that kind; now your company has traveling salesmen to make those towns every week?

Mr. **Weld**. Yes, sir.

Mr. **Tincher**. Do you say that it is not the custom of your salesmen and, if they do it, they act without the authority of their employer, to persuade him to stop any butchering, and if he does not, then to find a man who will go into the business and they will sell him the whole product so that he can undersell the man who only buys a part of your product?

Mr. **Weld**. We do not do that.

Mr. **Tincher**. There is a feeling that that is a practice which is indulged in.

Mr. **Weld**. We are selling to thousands of retail butchers who are butchering stuff of their own. If any arrangement was ever made by any salesman with a retail store that he could not have Swift & Co.'s meats unless he bought entirely from us and stopped butchering, it was not authorized by the company and was absolutely contrary to instructions.

Mr. **Anderson**. Do you think that they are sufficiently tied together so that you know what is going on all over the country?

Mr. **Weld**. No; I am speaking for Swift & Co.

Mr. **Anderson**. Do you think that you are familiar with the practices that are engaged in by all of the different packing plants and their sales agents all over the country?

Mr. **Weld**. We are in as close touch with matters as we know how to be. With such a large organization it is only natural that some local agent should slop over once in a while; it would be natural in any large business. I am not saying that we are perfect, or anything of that sort; that we are angels and have never done anything wrong, or that none of the agents of Swift & Co. has ever done anything wrong.

Mr. TINCHER. Do you know of a place of a thousand inhabitants that does not have one meat market of its own?

Mr. WELD. Do I know of a town of a thousand inhabitants——

Mr. TINCHER (interposing). That has not a meat market or a place to buy meat where the butcher does not butcher anything.

Mr. WELD. There may be some. Throughout the West there are local butchers and a lot of people are eating the same meat that they have always eaten, and like it—locally slaughtered meat—but it is not inspected, and it may be tubercular and it may have been killed and prepared under very insanitary conditions. I know personally that I am never very keen to eat stuff that is locally butchered. I wonder if I can proceed with my statement.

The CHAIRMAN. Have you finished, Mr. Anderson?

Mr. ANDERSON. Yes, sir.

Mr. MARSH. I should like to ask one or two questions of Mr. Weld, if I may, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. MARSH. If I understand you correctly, one of your reasons for maintaining these percentages is in order to keep up the price of your finished product?

Mr. WELD. That is not true at all, sir. There has been no suggestion from which you could draw such an inference.

Mr. MARSH. As I understood, you said it was in order to prevent gluts in the city.

Mr. WELD. The agreement prior to 1902 was to steady prices in the cities.

Mr. MARSH. The important purpose, just the same, is, as it was in 1902, to keep up the prices to the consumer?

Mr. WELD. No.

Mr. MARSH. Then, what is the purpose of these percentages?

Mr. WELD. I have explained the purpose of our trying to maintain at least our customary percentage—that is, that we shall maintain our relative proportion and not fall behind our competitors. It has nothing whatever to do with the question of the wholesale price that we get for meat.

Mr. MARSH. But you phrase it to " prevent a glut in the market "?

Mr. WELD. The agreements on shipments on dressed beef 20 years ago were to " prevent gluts in the market," yes. That is an entirely different matter.

Mr. MARSH. That is a matter on which we differ, then, because the same economic laws obtain. As to these percentages, if I correctly understand it, you have these "accidental" percentages which have the same purpose that your maintaining them by collusion would achieve?

Mr. WELD. If we did have collusion, I do not know whether we could work them out any more perfectly than it has been worked out, except that Swift & Co. would not have increased its percentage 2 per cent in cattle purchases in the last two years. I do not believe that that would have happened under agreement.

Mr. **Marsh.** If I understand your answer—and since there has been interruption, if I may I will repeat my former question: You could not have had any more definite, continuous percentages or relation between the purchases of the packers if it were done by collusion?

Mr. **Weld.** Not much more. I say Swift & Co. could not have increased its percentage of cattle purchases 2 per cent in the last five years—that would not have happened if there had been an agreement; the other packers would never have allowed it if there had been an agreement.

Mr. **Marsh.** Is not that prima facie evidence that if a law against collusion was justified that something must be done to prevent you doing by accident just what you would be doing by collusion?

Mr. **Weld.** No. In the first place, there is a law against collusion, which we are living up to; and in the second place, if there were no law against collusion, exactly the same results would work out.

Mr. **Marsh.** The public would be disadvantaged?

Mr. **Weld.** No, sir. You are drawing your own conclusion there.

Mr. **Marsh.** It is to your advantage to retain these percentages, is it not?

Mr. **Weld.** It is to Swift & Co.'s individual advantage to maintain its position with respect to other packers. We would consider it a very serious thing if we found the others getting ahead of us.

Mr. **Marsh.** And you are going to do all you can as good business men to maintain that?

Mr. **Weld.** Yes, sir; individually, without any agreement.

The **Chairman.** In order to permit the members of the committee to go to the House to vote, the committee will now take a recess until 11.30 o'clock.

(At the expiration of the recess the committee proceeded as follows:)

The **Chairman.** The committee will come to order.

Mr. **Marsh.** May I finish those questions?

The **Chairman.** Certainly.

Mr. **Marsh.** Mr. Weld, may I ask you whether it is to the advantage of the independent, cooperative packing establishments to have you maintain "accidentally" these percentages?

Mr. **Weld.** I do not think it does them any harm. The fact is that each of the large packers is in such keen competition with the others that he uses every effort to keep from falling behind his competitors.

Mr. **Marsh.** If he makes those efforts to prevent falling behind his competitors, does he want to have an independent competitor?

Mr. **Weld.** We have over a thousand of them, and we have no objection to their being independents. We have used no unfair or illegitimate means to try to put them out of business.

Mr. **Marsh.** But you have been able to continue a system of maintaining percentages noncollusively which would be, you have just admitted, if done collusively, contrary to public policy, have you not?

Mr. **Weld.** If we agreed on these percentages it probably would be illegal. I do not know that that has ever been tried out.

Mr. **Marsh**. You do not think it would be contrary to public policy for you to have the monopoly which you have to-day?

Mr. **Weld**. We have no monopoly to-day.

Mr. **Marsh**. I said "have the monopoly."

Mr. **Weld**. We have no monopoly.

Mr. **Marsh**. The percentage, if you prefer it that way.

Mr. **Weld**. What is your question?

(The stenographer thereupon read as follows:)

> You do not think it would be contrary to public policy for you to have the monopoly which you have to-day?
>
> Mr. **Weld**. We have no monopoly to-day.
>
> Mr. **Marsh**. I said "have the monopoly."
>
> Mr. **Weld**. We have no monopoly.
>
> Mr. **Marsh**. The percentage, if you prefer it that way.

Mr. **Weld**. I do not think it is contrary to the public good that the packers are in such competition that the percentages work out so that they are fairly consistent from year to year.

Mr. **Marsh**. And the Big Five packers have slaughtered about 82 per cent of the cattle which have moved in interstate commerce?

Mr. **Weld**. No, sir; that is not true. It is true that the five packers have slaughtered about 82 per cent of the output of inspected houses.

Mr. **Marsh**. I said they have slaughtered about 82 per cent of the cattle in interstate business—the five meat packers.

Mr. **Weld**. In competition with each other.

Mr. **Marsh**. Would you object to any legislation which might interfere with these percentages?

Mr. **Weld**. Yes; because it would mean an arbitrary control of our industry. The only way those percentages could be made to fluctuate substantially would be through some arbitrary arrangement—either through some arbitrary power exercised from the outside or through collusion between the packers themselves. That is the only way that the percentages could be made to vary substantially, and I do not believe that that would be in the public interest.

Mr. **Marsh**. Have not some of the Big Five packers imposed a penalty for not conforming to the percentages?

Mr. **Weld**. Prior to 1902, in carrying out the allocations of shipments to eastern markets, on dressed beef, I believe there was a system of penalties.

Mr. **Marsh**. For the purpose of maintaining the percentages?

Mr. **Weld**. For the purpose of seeing that each shipped the quantity of fresh beef allotted to it.

Mr. **Marsh**. And the same economic laws operate and it is the same advantage to you, as good business men, that you maintain those percentages?

Mr. **Weld**. It is to our advantage to see that we do not fall behind in our percentage of the total business in live stock.

Mr. **Marsh**. Might not the independent competitors be able to make you fall behind, all of you, and produce less and handle less?

Mr. **Weld**. I believe that has been the experience in Chicago. The percentage of the total purchases in the Chicago yards taken by the five large packers together has been decreasing, as I understand it, during the past two years. The small packers, in other words, have been taking a larger proportion of the Chicago receipts.

Mr. **Marsh**. You know, an independent packer—Mr. Mayer, I think it was—testified yesterday that the big packers could put him out of business if they wanted to, so admitting that he was existing by sufferance.

Mr. **Weld**. He said he was not "existing by sufferance." He said he supposed if the five large packers should work together to put him out of business—which would mean they would have to break the law and would have to resort to illegitimate practices—that it might be in their power to put him out of business.

Mr. **Marsh**. I just read it on his answer in the testimony here, and I think I stated it substantially correct. He did not use the word "sufference"?

Mr. **Weld**. No. He was asked, "Do you think you exist up there by sufference of the Big Five?" And he said, "No; he was up against keen competition from the large packers all of the time."

Mr. **Marsh**. And that they could put him out of business at any time they chose.

Mr. **Weld**. That if the five worked together they could possibly put him out of business.

Mr. **Marsh**. Of course, he might not be able to understand this fiction of the "accidental percentages." You avoid the question as to what you are paying the producer and the producer has been made out one of the worst profiteers. I wonder if you could answer this question: I understand that you say 85 per cent of what you pay out, in round figures, goes to the producer?

Mr. **Weld**. We say that about 85 per cent of what we pay out for live stock—that about 85 per cent of what we get for live-stock products is paid for the live stock. That means that practically all of that goes to the producer. Of course, he has some railroad charges and commission charges, etc., to come out of that.

Mr. **Marsh**. But you pay out about 85 per cent——

Mr. **Borders**. That question you put about profiteers—do you intend that to be a part of the question about profiteering which Mr. Weld is answering?

Mr. **Marsh**. Let Prof. Weld decide that.

Mr. **Borders**. I want you to decide it.

Mr. **Marsh**. I would prefer to let Mr. Weld decide it.

Mr. **Weld**. I would just as leave handle that, unless Mr. Borders——

Mr. **Borders** (interposing). It goes out to the country and it creates the impression that here was evidence given on our behalf that producers were profiteers, and I do not think it is entirely fair. If it is a part of the question and was embraced as a part of the question——

Mr. **Marsh** (interposing). That the producers are responsible?

Mr. **Weld**. Did you mean to insinuate that the packers have given out to the country that the farmers are profiteers?

Mr. **Marsh**. I meant to make it perfectly clear that the packers have constantly tried to create the impression in the public mind that the high prices which the public pays for packers' products are not due to the packer's profits but are due to the high prices which are paid to the producers.

Mr. **Weld**. That is probably true, but that does not mean that the producers are profiteers. We do not know as well as the producers what their costs are, but we accept their statements that their production costs have increased so much that their profits have not necessarily been very large, and that they have been taking losses to a certain extent just as we took losses on our cattle business in the last year.

Mr. MARSH. I will not take time to read into the record the statements which the packers have made of enormous profits which the live-stock producers are making, but I could do it.

Mr. WELD. We have not accused the producers of profiteering.

Mr. MARSH. But you have tried to shoulder onto the producer the responsibility for the high prices which the consumer pays for the packer's products, have you not?

Mr. WELD. We have shown that the high price of meat is due largely to the high price of live stock, yes; that is what we have shown.

Mr. MARSH. The price of hogs fell very materially, about $10, did they not, during something like six weeks last fall?

Mr. WELD. Yes. But does this have anything to do with the question under discussion, but I shall go into that very matter later on?

Mr. MARSH. I will be very glad to have it later.

Mr. WELD. I do not want you to ask me any questions now except on this matter, because we have been on it since yesterday noon and I want to get it cleared up and start on something else.

Mr. MARSH. That is up to the chairman of the committee to decide on the question taken up, and you have taken up the prices paid the producers. If you prefer, I should wait, Mr. Chairman, until he is ready to take that up, I will be glad to postpone the question.

The CHAIRMAN. The question you asked led up to that statement. That is not the subject you have been discussing, Mr. Weld?

Mr. WELD. No; and we have been on this question of percentages since yesterday noon, and all of the questions have been on that subject, and I prefer to have that finished up and get started on something else if I may.

The CHAIRMAN. The discussion now should be confined to the subject matter under consideration.

Mr. MARSH. Then, what effect has the importing of beef by the Big Five packers have upon the price which producers get for their live stock?

Mr. WELD. It will have the same effect as beef imported by anybody else, aside from the large packers—an increased supply in this country would tend to reduce the price.

Mr. MARSH. Is that the purpose of it?

Mr. WELD. No, sir.

Mr. MARSH. That is another accident?

Mr. WELD. There is no "accident" about it. Of course, there are two sides to this question to be considered—the consumer as well as the producer. If Argentina can produce beef more cheaply than the United States can, which is the case and which accounts for England's buying her beef from Argentina rather than the United States, why, if there is no duty on beef coming into this country, beef will inevitably be shipped into the United States.

Mr. MARSH. I would just like to say, incidentally, that if I have read the papers correctly there are some other reasons why Great

Britain imports beef from Argentina, something about difference of opinion over price from the Big Five packers and their methods.

Mr. **Weld.** The reason that Great Britain is buying her beef from Argentina is that she can buy it cheaper there than in the United States.

Mr. **Marsh.** If I correctly understand it, you say you are approaching this problem from the viewpoint of the consumer, but switching around you object to having your percentages changed because it would " glut " the market and reduce the price to the consumer. In other words, you want the live-stock producers to take all the loss?

Mr. **Weld.** I did not say anything of the sort.

Mr. **Marsh.** I can make no other deduction. The farmers are interested in getting this industry on a basis so that they can make a fair profit without increasing the cost of beef, and if possible decrease the price to the consumer.

Mr. **Weld.** We get as much as we can for our meats, selling them at wholesale, and we pay the farmers just as much as it is humanly possible to pay them considering the price we can get for our meats at wholesale.

Mr. **Marsh.** I notice in that connection that your net worth of Swift Co., unaudited by the Trade Commission, was in 1880, $14,005,000, and your own report of net profits in 20 years, from 1896 to 1918, showed $214,249,000. There is a little leeway for the producer to get paid a little more, is there not?

Mr. **Weld.** Their profit amounted to about 11 per cent on the investment and about 2½ cents on each dollar of sales, and out of that 2½ cents on each dollar of sales we have had to pay interest on capital employed in the business—that is, we have had to pay dividends.

Mr. **Marsh.** Yes; and you have paid dividends, too, have you not?

Mr. **Weld.** We have paid dividends of 7 and 8 per cent.

Mr. **Marsh.** Shall I read them into the record?

Mr. **Weld.** I do not think it a good place to discuss that; I am going to discuss profits later on.

Mr. **Marsh.** Do you mean to tell me that if you had not been able to keep up your percentages you would have had just as high profits?

Mr. **Weld.** If we had fallen behind in our percentages it would have meant we were not being successful packers, and we probably would not have made the reasonable profits that we have made.

Mr. **Marsh.** I am glad to see, then, that you withdraw your previous statement, because it is vitally connected.

Mr. **Weld.** It is not " vitally connected " at all.

Mr. **Marsh.** Do you mean to say that volume of business has nothing to do with profits?

Mr. **Weld.** Of course, it has something to do with our profits.

Mr. **Marsh.** Mr. Chairman, I think I have gotten all the information the witness wants to give me.

The **Chairman.** Is that all?

Mr. **Marsh.** I will take the other points up later, when Mr. Weld comes to them.

The **Chairman.** You state the price in Argentina is less than in this country. Will you state the defference in price?

ducers what their costs are, but we accept their statements that their production costs have increased so much that their profits have not necessarily been very large, and that they have been taking losses to a certain extent just as we took losses on our cattle business in the last year.

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The CHAIRMAN. The discussion now should be confined to the subject matter under consideration.

Mr. MARSH. Then, what effect has the importing of beef by the Big Five packers have upon the price which producers get for their live stock?

Mr. WELD. It will have the same effect as beef imported by anybody else, aside from the large packers—an increased supply in this country would tend to reduce the price.

Mr. MARSH. Is that the purpose of it?

Mr. WELD. No, sir.

Mr. MARSH. That is another accident?

Mr. WELD. There is no "accident" about it. Of course, there are two sides to this question to be considered—the consumer as well as the producer. If Argentina can produce beef more cheaply than the United States can, which is the case and which accounts for England's buying her beef from Argentina rather than the United States, why, if there is no duty on beef coming into this country, beef will inevitably be shipped into the United States.

Mr. MARSH. I would just like to say, incidentally, that if I have read the papers correctly there are some other reasons why Great

Britain imports beef from Argentina, something about difference of opinion over price from the Big Five packers and their methods.

Mr. Weld. The reason that Great Britain is buying her beef from Argentina is that she can buy it cheaper there than in the United States.

Mr. Marsh. If I correctly understand it, you say you are approaching this problem from the viewpoint of the consumer, but switching around you object to having your percentages changed because it would "glut" the market and reduce the price to the consumer. In other words, you want the live-stock producers to take all the loss?

Mr. Weld. I did not say anything of the sort.

Mr. Marsh. I can make no other deduction. The farmers are interested in getting this industry on a basis so that they can make a fair profit without increasing the cost of beef, and if possible decrease the price to the consumer.

Mr. Weld. We get as much as we can for our meats, selling them at wholesale, and we pay the farmers just as much as it is humanly possible to pay them considering the price we can get for our meats at wholesale.

Mr. Marsh. I notice in that connection that your net worth of Swift Co., unaudited by the Trade Commission, was in 1880, $14,005,000, and your own report of net profits in 20 years, from 1896 to 1918, showed $214,249,000. There is a little leeway for the producer to get paid a little more, is there not?

Mr. Weld. Their profit amounted to about 11 per cent on the investment and about 2¼ cents on each dollar of sales, and out of that 2¼ cents on each dollar of sales we have had to pay interest on capital employed in the business—that is, we have had to pay dividends.

Mr. Marsh. Yes; and you have paid dividends, too, have you not?

Mr. Weld. We have paid dividends of 7 and 8 per cent.

Mr. Marsh. Shall I read them into the record?

Mr. Weld. I do not think it a good place to discuss that; I am going to discuss profits later on.

Mr. Marsh. Do you mean to tell me that if you had not been able to keep up your percentages you would have had just as high profits?

Mr. Weld. If we had fallen behind in our percentages it would have meant we were not being successful packers, and we probably would not have made the reasonable profits that we have made.

Mr. Marsh. I am glad to see, then, that you withdraw your previous statement, because it is vitally connected.

Mr. Weld. It is not "vitally connected" at all.

Mr. Marsh. Do you mean to say that volume of business has nothing to do with profits?

Mr. Weld. Of course, it has something to do with our profits.

Mr. Marsh. Mr. Chairman, I think I have gotten all the information the witness wants to give me.

The Chairman. Is that all?

Mr. Marsh. I will take the other points up later, when Mr. Weld comes to them.

The Chairman. You state the price in Argentina is less than in this country. Will you state the defference in price?

Mr. **Weld.** I have no exact information, but I think on the average probably 4 or 5 cents cheaper in Argentina than here. Have you any idea, Mr. Chaplin?

Mr. **Chaplin.** I do not know, but it is quite a number of cents per pound.

The **Chairman.** Can you put that into the record, for information?

Mr. **Chaplin.** Yes, sir; I will try to get it. I do not think we have anything here that would show it definitely, but, of course, we could get something.

Mr. **Anderson.** You mean the buying price or the selling price of the beef?

Mr. **Weld.** Both.

Mr. **Anderson.** The point you are making is that as far as you are able to state that the buying price and the selling price are approximately 5 cents lower in Argentina than in the United States?

Mr. **Weld.** That is merely a guess; I do not remember.

The **Chairman.** This is outside of the matter under consideration, but nevertheless we would like to have it.

Mr. **McLaughlin** of Nebraska. Do I understand that the selling price of Argentine beef in this country is 4 or 5 cents lower on the pound?

Mr. **Chaplin.** There is none imported.

Mr. **Weld.** There was imported before the European war a small quantity; there may be some again.

Mr. **Chaplin.** It used to sell at 2 to 5 cents a pound less than native beef.

Mr. **McLaughlin.** That is, here?

Mr. **Chaplin.** Yes, sir.

The **Chairman.** Was it sold and generally referred to as "New York beef"?

Mr. **Weld.** No; it was sold as South American beef: it could not be mistaken; anyone could tell it, anyone who knew anything about the business.

Mr. **Marsh.** Was it because of its inferior quality that it could be distinguished so readily?

Mr. **Chaplin.** It was of very good quality.

Mr. **Weld.** But it is not corn fed, is it?

Mr. **Chaplin.** Mostly fed on alfalfa, I believe, and was not quite as solid as the beef we produce, although of very good quality.

The **Chairman.** Many of our cattle are fed on alfalfa, and I have heard it alleged that they were preferable to corn-fed cattle. Is there anything in that?

Mr. **Chaplin.** I understand they are now feeding more and more hard grain—corn. But the tendency in the Argentine is to feed more and more corn, so that they will approximate the same quality we have here.

The **Chairman.** Is it not a fact that the range cattle sometimes top the market? They are fed on alfalfa part of the year, are they not? Those that top the market?

Mr. **Chaplin.** I doubt if they ever top the market; they do bring very good prices—very fine range cattle do bring good prices.

The **Chairman.** I understood Mr. Wood to point out certain lots of range cattle which topped the market.

Mr. CHAPLIN. Yes. They have been very good quality, some of them.

Mr. BORDERS. American meat is frozen, is it not, Mr. Chaplin?

Mr. CHAPLIN. That which was imported into this country—some was frozen and some was chilled.

Mr. MARSH. Mr. Chairman, I want this point to be made clear, if I may, since further discussion has gone on: Is it not true that South American beef sells at 4 or 5 cents a pound less because it is inferior in quality to what is raised here; so, taking quality into consideration, the price is very nearly the same?

Mr. WELD. We took quality into consideration in making our statement.

The CHAIRMAN. You understand, this discussion goes on by your permission?

Mr. MARSH. Mr. Chairman, I know you know very well, and very sympathetically know, the desperate situation of the live-stock country today; and if this enormous combination of packers, having no regard for the interest of the live-stock producers, are going to try to bring in South American beef and put the live-stock industry of this country more on the blink than it is to-day, God pity this country.

Mr. WELD. Mr. Chairman, I object to this kind of testimony.

The CHAIRMAN. Did I understand you to say that in Europe South American beef is sold at a lower figure than our cattle?

Mr. WELD. Yes, sir.

The CHAIRMAN. Because it is inferior to ours?

Mr. WELD. Principally because it is raised more cheaply under the range system down in Argentine than it can be raised here.

The CHAIRMAN. Do you mean to say that in Europe, where the two are sold from the same block, there is a difference of 4 or 5 cents?

Mr. CHAPLIN. We are not shipping any beef to Great Britain from the United States; we can not afford to.

The CHAIRMAN. If both were shipped there, would one be sold at a lower figure than the other because of its inferiority?

Mr. CHAPLIN. That is pretty hard to tell. Conditions change from time to time. I think when we did ship our beef sold a little bit higher than the South American beef.

The CHAIRMAN. And the reason South American beef was imported here was that it sold from 2 to 5 cents——

Mr. CHAPLIN (interposing). Two to five cents below.

The CHAIRMAN. Because of its inferiority?

Mr. CHAPLIN. Yes; because the trade preferred the fresh quality of the United States beef to the imported beef.

The CHAIRMAN. Is it considered inferior to ours, produced under similar conditions? Of course, I understand that a corn-fed steer sells to the slaughterer for a higher price than a lean one.

Mr. CHAPLIN. I think the average breed of their cattle is probably higher than the average breed of the cattle in this country, but the feeding is different and the length of time on the voyage has some effect. It is on the sea for about three weeks, and if it is only refrigerated beef the condition is not quite as good as ours.

The CHAIRMAN. Is there any difference in cattle fed alfalfa in South America from cattle fed alfalfa in Montana?

Mr. CHAPLIN. I did not know we fed steers here and fattened them exclusively on alfalfa.

The CHAIRMAN. That is part of the feed; it is the rough feed. As I understand it, they feed beet pulp and alfalfa largely in Colorado, do they not?

Mr. CHAPLIN. Yes; there are a great many fed on pulp.

The CHAIRMAN. Has the climate anything to do with it? Is there any difference in a steer produced in Colorado and one produced in South America under the same feeding conditions?

Mr. CHAPLIN. I am not an expert on that. All I know is that the quality of the herds is very high in the Argentine.

The CHAIRMAN. The quality, of course, is a different thing. Quality counts in this country, too.

Mr. CHAPLIN. I mean, the breeding of the herds is very high down there.

Mr. WELD. Of course, the fundamental facts are that the economic conditions and economic organization of the live-stock industry in South America is such that quality for quality beef can be produced more cheaply down there than in the United States.

The CHAIRMAN. Then, there is hardly any difference, commercially?

Mr. CHAPLIN. Except that we feed more corn.

Mr. MARSH. The corn-fed beef is very much better quality than the other?

The CHAIRMAN. One contention is that corn-fed cattle are superior to those finished on alfalfa, yet I have heard it stated on the floor of the House that the alfalfa-finished steer is better than the one finished on corn. That is a controverted question, but I wanted to find if there were any differences under similar conditions.

Mr. WELD. As I said two or three days ago, we have made charges of unfairness against the Federal Trade Commission and its report. I took up first the matter of the fairly constant percentages in the purchases of live stock and have explained why that comes about, and have shown you that there is no evidence of any collusion in that matter; and I might also say that if there were any collusion or agreement I would not be here submitting to cross-examination on that point.

The Federal Trade Commission goes on, however, and attempts to furnish other proof of collusion between the packers, and under the heading of "Collusive Live-stock Buying," on page 78 of Part II, it enumerates four practices: "Part purchases," "Split-shipment purchases," "Wiring on," "Making" the daily market.

It refers to those as bearing on collusive buying among the packers.

Mr. Anderson referred to the first three of those in his original statement before the committee as though they were questionable practices. There is no part of the Federal Trade Commission report that contains so many descriptions of perfectly proper transactions, as though they were improper or where so much material evidence has been wilfully suppressed, or where there is such a paucity of evidence of wrongdoing or collusion. The treatment of this matter continues from page 78 to page 99, in Part II, of the Federal Trade Commission's report, and I will take up first "Part purchases," which is treated on pages 78 to 74 of Part II; and this also is discussed in Swift & Co.'s Analysis and Criticism of the Federal Trade Commission's Report, pages 42 to 48.

The practice described by the Federal Trade Commission is where two or more packers join in purchasing the live stock of one shipper or producer. It is referred to by the Trade Commission as an effective means of eliminating competition. It is also referred to as a combination arrangement, and the Federal Trade Commission gives several examples where the same price was paid by two or more different packers.

On "part purchases" the thought underlying this whole treatment is that when a string of cattle comes to market and one packer buys, say, a half of that string of cattle and another packer buys the other half, the price paid by the two different packers is very often identical, and, therefore, there must be collusion. In fact, the Trade Commission says that it could be brought about only by collusion.

I think perhaps the best way to explain that is to read just a few lines from our Analysis and Criticism, page 43 [reading]:

> The animals, when they are offered for sale, are placed in different pens, and our buyer often bids on a certain part of the total shipment, not feeling that he can use them all. In making this bid and purchase he deals only with the commission man and enters into no arrangement whatever with the buyer of any other packer to buy the animals in common or to divide the total shipment.

Now, after the commission man has become satisfied that he is getting the highest price obtainable for, say, half a string of cattle put in one or a couple of pens, and he has sold a part of one shipment to one packer, he offers the remainder or part of the remainder to the other packers. He naturally wishes to get at least as high a price for the balance of the shipment as he got for the part already sold. Otherwise the shipper whom he represents would be dissatisfied, knowing that the cattle are of the same weight and quality and offered on the same day; and in the majority of cases he is able to get the same price.

The point is this, that there is absolutely no evidence of any collusion in this treatment of the subject by the Federal Trade Commission. It is a very common practice in the yards for one packer to buy a part of a shipment and for another packer to buy the other part of the shipment, and the fact that the price is very commonly the same for both parts of the shipment is not due to any practice on the part of the shipper or the packer buyer, or to any collusion between the buyers of the different packers.

In this connection I would like to read into the record a letter which was taken by the Federal Trade Commission from the files of Swift & Co., which explains this practice, but which was not reproduced by the Trade Commission in its report. This letter appears at the bottom of page 44 in our analysis, and was written by Mr. Chaplin to Mr. L. F. Swift on April 20, 1916. It says [reading]:

> What they accuse us of we understand we have never done, namely, the buyer for one packer has never bought a lot of cattle and then had the cattle divided and turned part of them over to another packer. This is what they accuse us of doing, and we should certainly see that it is never done.
>
> Their proof, however, of our doing this is the account sales that the shippers get from the commission men, showing for example that of 80 cattle, 40 were sold to Swift and 40 to Armour. This merely means that the 80 cattle were put into two pens. Swift's buyers bought one pen and Armour's the other, and we should not give our buyers any instruction to discontinue this practice.

If there were three or four pens belonging to one shipper and we wished to buy one, or two, or three, and leave the rest, we should be perfectly free to do so.

Think we should, however, get this matter up squarely before the official body of the commission men, tell them what we are accused of doing, what we understand the facts to be, and ask them if there is anything wrong with the way we handle these cases, and what suggestions they have. Any agreement or instructions relative to our not bidding under these circumstances might be in the nature of restraint of trade.

The point is that the Federal Trade Commission has described this perfectly legitimate practice as though it were illegitimate and as though it represented collusion between the buyers of the different packers. The Federal Trade Commission's account of this practice represents, first, the suppression of data—suppression of letters taken from our files—which put the matter in its true light; second, a description of a perfectly proper practice as though it were illegitimate and as though it represented collusion; and, third, that collusion exists, which is not justified by any evidence presented.

I am leaving that point to pass on to the next, if there are no questions on it.

The next is with regard to "Split shipments." This is treated on pages 84 to 89 of Part II.

Mr. Marsh. Mr. Chairman, before he goes on, may I ask for information, whether Mr. Weld would be good enough to file those letters which he says the Federal Trade Commission suppressed?

Mr. Weld. I just read one into the record.

Mr. Marsh. You read one.

Mr. Weld. I shall file one other, which puts the matter in its proper light, and which occurs on page 45 of Swift & Co.'s Analysis and Criticism. Those two are amply sufficient.

The Chairman. Are there any more?

Mr. Marsh. I do not know what they are like. The one read didn't convince me. I suppose we shall have to go along.

(The second letter referred to by Mr. Weld and submitted by him is here printed in full, as follows:)

Personal. February 19, 1916.

Mr. J. B. Goggins,
Swift & Co., Fort Worth, Tex.

Dear Sir: There has been a good deal of talk around cattle conventions, especially at El Paso, but also at other points, in reference to lack of competition among buyers on the live-stock markets.

This, I suppose, was somewhat aimed at Fort Worth, because of there being only two packing houses there, and along with this was coupled the criticism of dividing, on which they made the point that it is practically establishing one bid instead of healthy competition.

I am pretty sure that the idea of buying only part of a string of cattle has been confounded with the idea of dividing, although, of course, I realize it is a different proposition, and, of course, our buyers have positive instructions not to divide. While they do sometimes buy only part of a string, on account of considerable agitation and the fact that the cattle men are confounding the two subjects, would like you to review the general situation with our live-stock buyers and request that they consider the policy of buying all of a string when same is practical.

Of course, realize that in large numbers it is not practical for us to take the whole string, but the other thing may be true—that is, that in smaller numbers we might just as well take the whole string, and in such cases would like you to do so.

Would like you to review the general proposition with all of your live-stock buyers and advise me how you will handle the situation.

Awaiting your reply, I am,

Yours, truly, Harold H. Swift.

Mr. **Weld**. The "split shipment"—by that expression is meant a shipper sending part of his cattle to one market and part to another. The Federal Trade Commission points out that the prices paid in the different markets are frequently identical, whichever packers makes the purchases. The Federal Trade Commission says, on page 85, that such sales represent collusion.

I call your attention, first, to the fact that there is no evidence whatever here that there is any collusion; that it is assumed that there must be collusion because the prices are frequently identical.

The treatment of this subject furnishes one of the best examples of suppressed evidence. On page 89, of Part II, of the Federal Trade Commission's report, there appears a table which shows numerous instances of shipments split between two different markets, where in a majority of the cases the prices are identical in the two markets. The two markets used are St. Joseph and Kansas City. Those markets are near each other and the freight rates from western points to the two markets are the same, so that they are on the same price basis.

An inspection of this table on page 89 shows that the Trade Commission used only such parts of telegrams taken from our files which seemed to bear out its contention that the prices are identical on split shipments to St. Joseph and Kansas City, and purposely omitted other items in the same telegrams, which showed differences in prices.

I submit copies of complete telegrams which appear on page 51 of our analysis, and it is indicated on these telegrams what parts were used by the Federal Trade Commission and what parts were omitted.

(The copies of complete telegrams from page 51 of "Swift & Co.'s Analysis and Criticism" submitted by Mr. Weld are here printed in full, as follows, the matter inclosed in brackets not having been used by the Federal Trade Commission:)

St. Joseph, Mo., *February 28, 1916.*

Leavitt.

[Four loads pulp-fed steers account S. Karsh sold here to-day to Morris, 1,334 pounds, $8.20; two loads same cattle sold K. C. to S. & S., 1.324 pounds, $8.35; two loads pulp-fed steers, account Prey Bros. sold here to-day Hammond, 1,276 pounds; $8.15; two loads same cattle sold K. C, to-day, S. & S., 1,274 pounds, $8.15.

Copy to L. F. S., E. F. S., C. H. S.]

Vance.

St. Joseph, *June 16, 1915.*

Ingwersen.

We bought two loads, Gebhardt & Son, Colorado steers here to-day, average 1,311 pounds, $8.65; [three loads same, sold K. C. to-day, 1,302 pounds, $8.75, to Morris, with three cattle out, at $7.50;] Morris bought here to-day seven loads Oklahoma natives account, Vancellous, average 1,191 pounds, $8.45: nine loads same cattle, sold K. C. to-day, 1,249 pounds, $8.35, with two out, at $7.50.

Copy to L. F. S., E. F. S., C. H. S.

Vance.

St. Joseph, *February 21, 1916.*

Leavitt.

Two loads pulp cattle [account Ludlow sold here to-day to Hammond, 1,398 pounds, $8; two loads same cattle sold K. C. to-day, Armour, 1,404 pounds, $8].

We bought here to-day three loads pulp cattle] account Prey Bros., 1,294 pounds, $8; three loads same cattle sold K. C. to-day to Morris, 1,301 pounds, $7.95.

Copy to L. F. S., E. F. S., C. H. S.

VANCE.

ST. JOSEPH, *August 25, 1915.*

LEAVITT.

We bought four loads Russell & W. cattle here Tuesday, 875 pounds, $6.90; four loads same cattle sold Kansas City to Cudahy, 885 pounds, $6.90; [one load Bywater cattle here Tuesday sold Morris, 1,370 pounds, $9.10; two loads these cattle sold K. C. to S. & S., 1,288 pounds, $8.90.]

Copy to L. F. S., E. F. S., C. H. S.

TAMBLYN.

ST. JOSEPH, *January 18, 1916.*

TAMBLYN.

Three loads pulp cattle here Monday account Jas Bros., sold Hammond, 1,087 pounds, $7.75; three loads same cattle sold K. C. to Cudahy as follows: Two loads, 1,159 pounds, $7.50; [one load, 1,051 pounds, $7.60; four loads, Miller Bros., westerns, sold here Monday as follows: Two loads Swift, 1,030 pounds, $6.90: two loads Morris, 1,046, $6.90; four loads same cattle sold K. C. as follows:] Three loads Swift, 1,058 pounds, $6.90; one load feeder buyers, 945 pounds, $7.

Copy to L. F. S., E. F. S., C. H. S.

INGWERSEN.

You will notice that the parts used showed identical prices in the two different markets; the parts of the telegrams omitted show different prices in the two different markets.

The question might——

Mr. McISSAC. In Part V of the House Committee on Interstate and Foreign Commerce hearings the Federal Trade Commission put all their telegrams in the record, and some additional evidence was put in Part V of the Senate record, and also in the examination of Mr. Swift and Mr. Armour the whole subject was gone into pretty thoroughly. These telegrams Mr. Weld is referring to are the 11 telegrams that Mr. Colver referred to the other day in his testimony.

Mr. WELD. I think you are mistaken in this point, that those telegrams introduced by the Federal Trade Commission subsequently have to do with the Wiring On.

Mr. McISSAC. They put in all that data on the Wiring On?

Mr. WELD. All right. I will examine those telegrams for the benefit of the committee very shortly, and indicate what results they show.

Mr. McISSAC. My only purpose was to give the committee references so that if they wanted to they might look into it further.

Mr. WELD. I call your attention to the fact that the statements appeared in the report of the Federal Trade Commission just the same. This thing is reported and the question of part purchases is reported as an illegitimate practice representing collusions. Such is not the fact at all. Whatever the manner in which a packer buys a part of a string of cattle, it is perfectly legitimate; and the fact that the prices are identical very often in Kansas City and St. Joseph represents no collusion on the part of the packers; and I repeat that the Federal Trade Commission has used only parts of telegrams to give the impression that the prices are identical, whereas they have omitted parts of the same telegrams which show that the prices are very often different.

The CHAIRMAN. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.45 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

STATEMENT OF MR. J. P. LYNN, OF TARKIO, MO.

The CHAIRMAN. You may proceed, Mr. Lynn.

Mr. LYNN. Mr. Chairman and gentlemen of the committee, I am a farmer. I am not good at making speeches, but I want very much to try to show this committee the seriousness of this proposed legislation regarding an industry that is so closely connected to the cattle-feeding and packing industry.

I hope the committee will feel perfectly free at any time to ask me any questions they would like to.

The CHAIRMAN. Do you prefer to finish your statement first or to answer questions as you go along?

Mr. LYNN. It is immaterial to me. Anything any of you gentlemen have in mind that you would like to ask me about, I would be glad to answer.

Mr. MCLAUGHLIN of Nebraska. Are you a stock raiser yourself?

Mr. LYNN. I am not what you would call a stock raiser. I am a farmer.

Mr. MCLAUGHLIN of Nebraska. You do raise some stock for sale, do you?

Mr. LYNN. I raise a good many hogs and some cattle.

Mr. MCLAUGHLIN of Nebraska. About how many on an average during the year?

Mr. LYNN. Hogs?

Mr. MCLAUGHLIN of Nebraska. Yes.

Mr. LYNN. A fair estimate of last year's pig crop would be 500, but my partners and I have fed at least 2,000 hogs in the last 12 months. I might state further that since the 1st of October, myself and my associates—I have two partners now—have marketed 65 fat cattle. We have now on feed something over 700 steers. These cattle were all purchased on some western live-stock market.

Mr. MCLAUGHLIN of Nebraska. In your presence here are you simply representing yourself or are you representing some farm organization?

Mr. LYNN. I am representing myself.

Mr. MCLAUGHLIN of Nebraska. And you came here of your own volition?

Mr. LYNN. Yes, sir.

Mr. MCLAUGHLIN of Nebraska. You were not solicited by anybody to come here and testify?

Mr. LYNN. No, sir.

Mr. RAINEY. And in these suggestions that you offer, do you feel that you represent the sentiment that prevails in your part of the country amongst stock raisers and feeders?

Mr. LYNN. I would say that I represent the sentiment of a majority of the stock producers—the cattle feeders. While I have never talked with a man that was in favor of this Anderson bill, I suppose that you could find some men in our country who would be in favor of it.

Mr. RAINEY. Have you talked with a good many men about it?

Mr. LYNN. I have. I talked with one of the biggest men in our country. I am a very small operator compared with a dozen or 15 men in our county. He made the remark to me, "If the Government is going to ruin our way of marketing these cattle and hogs, we are going to have to quit business."

Mr. MCLAUGHLIN of Nebraska. To make the remark that if the Government was going to ruin the business is an entirely different proposition from what this committee or anybody else here has in mind. There is nobody who thinks of ruining the business.

Mr. LYNN. I would like to try to prove to you that if you appoint a live-stock commission you will ruin the cattle industry.

Mr. MCLAUGHLIN of Nebraska. Now, before you proceed with your statement, and I will not take it up again, have you read the report of the Federal Trade Commission yourself?

Mr. LYNN. Yes, sir.

Mr. MCLAUGHLIN of Nebraska. You have?

Mr. LYNN. Yes, sir.

Mr. MCLAUGHLIN of Nebraska. Have you read the hearings before the Senate and the Interstate Commerce Committee?

Mr. LYNN. Yes, sir.

Mr. MCLAUGHLIN of Nebraska. Did you testify before the Senate committee?

Mr. LYNN. Yes, sir; there were four other men.

The CHAIRMAN. Has the matter been discussed among the farmers and stock men in Missouri?

Mr. LYNN. Yes, sir.

The CHAIRMAN. The proposed legislation?

Mr. LYNN. Yes, sir; there were four other men down here last fall before the Senate committee.

The CHAIRMAN. The bills are quite generally understood?

Mr. LYNN. Oh, yes; yes, sir.

Mr. MCLAUGHLIN of Nebraska. Just one thing further. There is a question that arises in my mind and perhaps you can clear it up for me. I do not quite understand why it is that nearly all—not all, but nearly all—of the farm organizations and many of the organizations of stock growers and producers come here and testify showing resolutions from their organizations unanimously adopted, while the testimony on this side of the question seems to come from individuals here, there, and yonder, not purporting to represent organizations, and at the same time they say they represent a majority of the sentiment of the farmers of their communities. I do not quite understand why it is that the organizations come and testify showing unanimous resolutions and at the same time individuals come and testify and say that they represent the majority sentiment of their communities.

Mr. LYNN. I think I can explain that.

Mr. MCLAUGHLIN of Nebraska. I will be glad to have your explanation.

Mr. **Rainey.** Do you belong to any of those organizations?

Mr. **Lynn.** Yes, sir.

Mr. **Rainey.** Go right ahead, Mr. Lynn.

Mr. **Lynn.** The organization in a majority of the cases does not express the sentiment of the majority of the members. I venture to say that if you would take a vote of the members in the Corn Belt Meat Producers' Association of Iowa, they would turn down Mr. Sykes's resolutions of last week.

The **Chairman.** That resolution was voted upon.

Mr. **Lynn.** How is it voted on? Does every member get to vote on it?

Mr. **McLaughlin** of Nebraska. You answer that.

Mr. **Lynn.** They do not.

Mr. **McLaughlin** of Nebraska. Why not? Is it not their own fault, if they do not vote.

Mr. **Lynn.** Here is a big farm organization with probably seven or eight hundred or one thousand members and they will have a meeting, how many will be present?

Mr. **Riddick.** You do not mean that they pass resolutions contrary to the will of those who are present, do you?

Mr. **Lynn.** No, sir; I do not undertake to say that.

Mr. **Riddick.** How was this particular resolution put across, do you know?

Mr. **Lynn.** They can take advantage of any situation by taking a vote when they know their crowd.

Mr. **McLaughlin** of Nebraska. Do you believe the members of your farm organizations, men like yourself, are men who deliberately take advantage of a situation where some of the men are absent and put a thing over when their own particular crowd is in; is that your estimation of your farm brethren.

Mr. **Lynn.** I think there is the most dangerous part of these farm organizations. They have got into the hands of the wrong men. I am not afraid of farm organizations if the farmers are going to run it, but I am afraid of them if the university fellows are going to run them.

Mr. **McLaughlin** of Nebraska. When these delegates are present at a convention assembled, do not those delegates, coming from the various parts of the State or district, represent, as a rule, the sentiment of the other fellows who are not there?

Mr. **Lynn.** Probably they do.

Mr. **Rainey.** Would it work out this way, Mr. Lynn: You say you have an organization of seven or eight hundred farmers, notices are sent out for a meeting, farmers are usually busy, the officers are usually active. If the officers have in mind the passage of some resolution that met with their approval, they could conveniently get in touch with the men who felt as they did and be sure and have them at the meeting. When the members assembled and the resolution was offered for passage, naturally, those who were in favor of it would be there and pass it.

Mr. **Lynn.** Yes, sir.

Mr. **Rainey.** But in the passage of that resolution, coming as it does from an organization with a membership of from 700 to 800 members, it does not necessarily follow that the resolution signifies or represents the intention of the majority members of that organization.

Mr. LYNN. That is it.

Mr. RAINEY. However, it is the result of the members opposed in not being present.

Mr. LYNN. There is no question about it. Sooner or later the farmers will wake up and see where they have fallen down.

Mr. McLAUGHLIN of Nebraska. Now, that is an assumed case of my good friend. Do you charge that the officers of your own organization actually do that, in practice—what Mr. Rainey has suggested?

Mr. LYNN. I do not charge that in my own particular organization. I think the executive committee of our organization—they can turn it any way they want to.

Mr. McLAUGHLIN of Nebraska. Do you charge that they have done that purposely and willfully?

Mr. LYNN. I do not know that they have. I think enough of our own county organization that if every member was there and they were allowed to vote on the Anderson bill there would not be 1 out of 100 who would be in favor of it.

I will tell you that when you appoint a live stock commission to manage an industry like the packing industry, three commissioners, incompetent politicians, you can not get away from it——

The CHAIRMAN (interposing). But let us get through about this resolution that was passed. What have you to say about that?

Mr. LYNN. I have no resolution.

The CHAIRMAN. You were discussing the resolution introduced by Mr. Sykes.

Mr. LYNN. Yes, sir.

The CHAIRMAN. Have you any criticism to offer?

Mr. LYNN. Yes, sir; I do not think it expresses the sentiment of a majority of the members of that association.

The CHAIRMAN. You say you do not think so. Why do you think that?

Mr. LYNN. Because I heard lots of members of that organization say that that was not the sentiment of it.

Mr. McLAUGHLIN of Nebraska. You made the statement you did not believe it represented the sentiment of more than 1 out of 100 of the organization.

Mr. LYNN. That was our own local organization.

Mr. McLAUGHLIN of Nebraska. There are 700 or 800 in that organization?

Mr. LYNN. I do not know how many members they have. They had a county drive and everybody joined.

Mr. McLAUGHLIN of Nebraska. Assuming there were 800 members that would be putting it high enough, would it?

Mr. LYNN. No; I do not know how many farmers there are in our county.

Mr. McLAUGHLIN of Nebraska. Assuming there are 800 members; according to your statement then, it would not be more than seven, counting one man in 100 or not more than 8 in favor of that resolution, whereas the fact of the business is there were between 100 and 200 there and the resolution was unanimously adopted.

Mr. LYNN. I said they would not be in favor of the Anderson bill for a live-stock commission.

Mr. MCLAUGHLIN of Nebraska. You understand that here we are simply considering the advisability of legislation on this subject. We are not confining ourselves to the Anderson bill or the Gronna bill or any other bill.

Mr. RAINEY. Suppose in our deliberations and after hearing testimony from men like yourself, we did decide to enact legislation and to appoint a commission similar to that suggested in the bills that have been introduced, do you feel that the commission could efficiently handle the live-stock business of the coutry?

Mr. LYNN. They would fall down entirely.

Mr. RAINEY. Do you think legislation or the appointment of such a commission would increase the price of live stock?

Mr. LYNN. No, sir; that is controlled by the supply and demand.

Mr. MCLAUGHLIN of Nebraska. You say they would fall down entirely. Would not that depend considerably on the personnel of that committee or commission? Do you not think it would be possible to select a commission that would be qualified to investigate, discover, and pass on irregularities and ill-practices if there were any?

Mr. LYNN. I do not think it would be possible to select a commission that knows as much about the packing industry as the men who are at the head of these packing industries to-day, who have worked at it a life time. I do not believe you could get a commission that would go ahead and develop by-products.

Mr. MCLAUGHLIN of Nebraska. That would not be the purpose of the commission.

Mr. LYNN. If you are going to make a success of the business that has to be continued. They have either got to go forward or they will go backward.

Mr. MCLAUGHLIN of Nebraska. Nobody is thinking of a commission that will go in and run the plants.

Mr. LYNN. If telling the packers what they can keep and store and what they can buy and what they should sell, would not control the running of it, I do not know what would.

Mr. MCLAUGHLIN of Nebraska. Do you not think a commission could be selected that would more nearly have the interest of the producers in mind that the packers themselves, who are always, of course, as all business men, in business for themselves and for the profit they can make?

Mr. LYNN. I do not think any commission would have the producers more in mind than the packers. The packers can not get along without we produce the raw material, and we can not get along without the packers to market our raw material.

Mr. MCLAUGHLIN. That is true. We all know that. We have got the packing industry and it must be maintained.

Mr. LYNN. I feel this way: If this committee were all actual farmers and cattle feeders and had had even the little experience I have had in the last 20 years in the business, they would not spend an hour longer discussing this proposed legislation.

Mr. MCLAUGHLIN of Nebraska. Mr. Lynn, you are acquainted with the fact that quite a number of the members of this committee are exactly what you have stated, are you not?

Mr. LYNN. No, sir.

Mr. McLAUGHLIN of Nebraska. Farmers, and quite a number of them cattle raisers.

Mr. LYNN. I would like to meet those gentlemen.

Mr. McLAUGHLIN of Nebraska. That is the fact.

Mr. LYNN. Where were they this morning? There were questions came up here this morning that no one seemed to know how to answer that any man who had ever fed many cattle would certainly have known how to have answered.

Mr. McLAUGHLIN of Nebraska. Well, we will let you answer them now.

Mr. VOIGT. The chairman must have been absent this morning.

Mr. RAINEY. I will say for your information that it has been charged by a representative of a farm organization that there are only 17 or 18 farmers in the entire House of Representatives, out of a body of 435. I thought that a rather bold statement.

Mr. McLAUGHLIN of Nebraska. The same party who charged that also accused by good friend here, Mr. Rainey, of not being entitled to a place on this committee, whereas the members of the committee know that he is rightly and justly entitled to a place here and was selected by the Committee on Committees the same as others of us were, and that perhaps no district in the United States is more entitled to representation on this committee than the fourth district of Chicago, from which Mr. Rainey comes.

Mr. RAINEY. Then we both agree as to the credibility of the statements.

Mr. McLAUGHLIN of Nebraska. Absolutely.

The CHAIRMAN. We are getting away from this resolution. I would like to know a little more about this resolution.

Mr. LIGHTFOOT. Mr. Chairman, I would like to call attention to one little point here that I think will bear out what Mr. Lyons has said about the sentiment of conventions expressing themselves. It is well known that the American National Live Stock Association, through its market committee, was largely, if not wholly, responsible for the investigation made by the Federal Trade Commission and the hearings before Congress on their representations. That association, in January, 1919, passed a resolution at Denver, if I remember correctly, indorsing the legislation along the lines of the Kendrick bill pending; but the recent convention at Spokane, representing the same association, has changed its position on that question, and this is the resolution which was adopted by the last convention of the American National Live Stock Association:

> Whereas it is necessary that confidence should be established in the operation of marketing agencies, in order that competition may be developed, that an improved understanding may be created between producer, packer, and consumer, and that distribution of meat and meat products may be guaranteed on a fair and economical basis and along practical lines, so as to cause the least disturbance of existing conditions: Therefore be it
>
> *Resolved by the American National Live Stock Association in annual convention assembled in the city of Spokane, Wash., this 29th day of January, 1920,* That we recommend the enactment of legislation by Congress providing governmental regulation of all marketing, manufacturing, and distributing agencies engaged in handling live stock and its products, and we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of any arbitrary power; and further recommend that the supervision of such market agencies provided for by the pro-

posed legislation be made a matter of law, so as to occasion the least possible disturbance or interference with existing business conditions.

I desire to call attention to the change in the attitude of this association. Formerly, they were willing to have certain powers established, with powers to make rules and regulations and to leave it to the discretion of agencies to formulate such rules, but now their last expression is that while they ask for legislation, they want it to be of a specific nature and not vested in a governmental tribunal such as a commission. I think that illustrates pretty fairly how even conventions after they have studied these questions can change their position.

Mr. McLaughlin of Nebraska. Now, Mr. Lightfoot, they are still on record in favor of some legislation, are they not?

Mr. Lightfoot. Yes, sir; that association is still on record in favor of some legislation, but they have changed their position as to the nature and character of the legislation.

Mr. McLaughlin of Nebraska. Just one question further. Is this the resolution that one of the members of the association stated here the other day was not adopted there, and there was a misrepresentation as to that?

Mr. Lightfoot. No; that was the Corn Belt Meat Growers of Iowa. This is an expression from the American National Live Stock Association.

Mr. Voigt. Let me interrupt there. It was stated, Mr. McLaughlin, by one of the witnesses who was present at that convention, that Mr. Wilson, the packer, had addressed that convention, and this particular witness claimed he had hypnotized the convention into changing its position and adopting this form of resolution.

Mr. McLaughlin of Nebraska. I thought there was something of that kind stated, but it was not clear in my mind.

Mr. Lightfoot. May I interrupt by saying that Mr. Wilson, the packer, was not even at that convention. I think that was Dr. Wilson, perhaps, a member of the association.

Mr. Borders. No; Mr. Lightfoot, you are talking about different conventions. Mr. Voigt is talking about one convention and you are talking about another.

Mr. Voigt. I had in mind that it was the last convention of the American National Live Stock Association.

Mr. Borders. Then you are mistaken. He was not there at all.

Mr. Voigt. Then I will take back what I said.

Mr. Borders. I think I heard what you heard, and it referred to another convention.

Mr. Voigt. What convention did Mr. Collins refer to?

Mr. Borders. He referred clearly to the Kansas convention. He spoke of going to Kansas for that convention.

Mr. Lightfoot. That was two or three years ago.

Mr. Borders. I am not sure whether it was at Wichita or Kansas City, but it was in Kansas, and he spoke of there being a reception there by Mr. Wilson.

The Chairman. Mr. Lynn, you said you were a member of what organization?

Mr. Lynn. The Atchison County Farm Bureau, I believe is the name of it.

The CHAIRMAN. You were speaking of Mr. Sykes; what is his association?

Mr. LYNN. That is the Corn Belt Meat Producers Association.

The CHAIRMAN. Are you a member of that association?

Mr. LYNN. No, sir; I live in Missouri.

The CHAIRMAN. This resolution that was introduced by Mr. Sykes and was called in question is evidence before this committee. I understood you to say that did not represent the sentiment of the farmers?

Mr. LYNN. I said I did not think it did.

The CHAIRMAN. There were from 100 to 200 farmers present, were there not?

Mr. LYNN. I do not know.

Mr. McLAUGHLIN of Nebraska. It is in the record that there were 100 to 200 farmers.

Mr. LYNN. I do not know.

The CHAIRMAN. Why do you question it if you do not know anything about it? Do you think it is fair to question these people who came here from Iowa?

Mr. LYNN. I have heard from several members of that organization.

The CHAIRMAN. I beg your pardon?

Mr. LYNN. I have heard from several members of that organization that those were not their sentiments.

The CHAIRMAN. Were they present?

Mr. LYNN. No, sir.

The CHAIRMAN. It is a fact that the resolutions were passed by a unanimous vote, is it not? That all of them voted and there was not a dissenting vote?

Mr. LYNN. It was passed by the unanimous vote of those present, but what percentage of the members were present?

The CHAIRMAN. There were from one to two hundred. I believe you said there were seven or eight hundred members of the association; I do not know.

Mr. LYNN. No; you are mistaken about the organization.

Mr. RAINEY. He said there are seven or eight hundred members in his organization and that he did not know about the Iowa organization.

The CHAIRMAN. That is a different question. You raise a question here as to the resolution introduced by Mr. Sykes and name it specifically and state that it does not represent the sentiment of the farmers.

Mr. McLAUGHLIN of Nebraska. Perhaps it would not be——

The CHAIRMAN (interposing). My understanding is that Mr. Sykes is a farmer, and so is Mr. Ames. My understanding is that most of the members are feeders or farmers.

Mr. LYNN. While you are speaking about Mr. Sykes, I would just like to ask the committee if they really think he was fair in taking 38 cattle that he fed, and showing how he lost $300 on 38 cattle, and use that as an argument that the cattle feeders were losing money?

The CHAIRMAN. I think he did very well on that. He did better than I did.

Mr. LYNN. He did a lot better than I did.

The CHAIRMAN. The question is whether there is competition and whether everybody has an open and fair chance; but what we are discussing now is this resolution. You have undertaken to discredit this resolution, and I think it is up to you to show that they are not farmers or why you have no confidence in them.

Mr. McLAUGHLIN of Nebraska. Right there, Mr. Chairman, I would like to have the witness's opinion of these so-called college graduates. Do you find that men who are college graduates and go on the farm are less successful and less competent than men who are not college graduates; is that your experience?

Mr. LYNN. Yes, sir.

Mr. McLAUGHLIN of Nebraska. Well, it is not in my part of the country, I will say.

Mr. LYNN. That has been my experience.

Mr. McLAUGHLIN of Nebraska. It is entirely different.

Mr. RAINEY. Mr. Lynn, it was not your desire or your intention to attempt to discredit this Iowa organization. The point you were trying to convey was that it did not represent the majority opinion of the organization.

Mr. LYNN. It was my intention—I thought the committee understood it that way. I was not trying to discredit the resolution that Mr. Sykes brought in, but I did say that I did not think it was the sentiment of a majority of the members of that organization.

The CHAIRMAN. I beg your pardon; I think you stated positively that it did not represent the sentiment of the farmers.

Mr. RAINEY. If you did, you did not so intend, did you?

Mr. LYNN. No, sir.

The CHAIRMAN. I have no interest in it, except we want the thing kept straight, and it does not seem fair that anybody should attack anybody else in their absence when they come here, and I think we can assume that they come here in good faith as every other witness who appears before the committee. You may proceed, Mr. Lynn. We will not prolong this any longer.

Mr. LYNN. I know of no better way to illustrate——

Mr. RAINEY (interposing). Mr. Lynn, suppose you confine yourself to your knowledge of the general opinion that exists in your part of the country, where you come in contact with the farmers, and tell us of your experience in shipping and buying stock.

Mr. LYNN. That is what I was trying to get started at, but I was trying to keep away from being personal. I know of no better way to do it than to tell of my own experience.

Mr. RAINEY. If you desire, you may make your statement and then the members will interrogate you afterwards.

Mr. LYNN. Yes, sir. About 20 years ago I started out to farm for myself. I had not anything. I worked for two or three years by the month and saved up around $1,000. I had a chance to go in partnership with a man who had a lot of land. We formed a partnership and he furnished the land. I furnished all the labor, the teams, and all the implements, raised the crops, and fed the grain. The partnership owned the live stock. I had no money to speak of, and my partner furnished all the capital I needed to run my part of the expenses and carry on my half of the cattle feeding.

I would say that in the last 15 years we have fed 10,000 fat cattle and fully that many hogs. I know of no better way of proving to this committee that this business has been fairly successful than to tell you that I have got 800 acres of Missouri land of my own. I am not out of debt on this land, but I am not afraid but I will get out of debt all right.

If it had not been for the packers to have furnished me a market for those cattle and hogs that I fed on this land and kept the fertility of that soil up, where would I have been to-day? We not only fed all the corn we raised but bought lots of corn, and I am sure that if we had the exact figures that we got a little more than the market price for all grain that we fed.

If any cattle feeder is fair enough to take a year's average, or 2 years' average, or 10 years' average, if they have been good feeders their business will show a profit.

I do not think anyone can accuse the farmer of profiteering, and I do not think the cattle feeders accuse the packers of profiteering.

I know I express the sentiment of a great many cattle feeders—that the packer has not made his profit off of the meat. He has made it off of the by-products that used to be wasted, and not only developed and discovered things that he could make money off of, but he discovered things that were helpful to the feeder.

Take, for instance, tankage. All hog feeders know that tankage is very essential if you want to make the cheapest gains. It has been proved by experiments, with corn at $1 a bushel and hogs at $16 a hundred, that tankage was worth $240 a ton. It costs around $100 a ton now.

Mr. VOIGT. Who made that experiment?

Mr. LYNN. That was made at the Missouri State University, I believe.

Mr. MCLAUGHLIN of Nebraska. If they were college men you could hardly credit it, could you?

Mr. LYNN. Well, I will tell you that we have made experiments at home, and I do not think we ever made an experiment that we did not beat the college game. I can show you figures on droves of cattle that were fed this last fall, and show a 3-pound-a-day gain from Kansas City to Chicago, and I would like to see the university that can show a gain like that, and this was not one or two or three or four or five steers either. There were 87 head in this drove of cattle.

The CHAIRMAN. Three pounds a day from the time they were brought to Kansas City until the day they were sold at Chicago?

Mr. LYNN. It was exactly 60 days from the time they were brought there to the time they were marketed in Chicago.

The CHAIRMAN. Counting the shrinkage, it would be at least 4 pounds a day, would it not?

Mr. LYNN. Yes; we weighed these cattle before we loaded them, and it was about 1 o'clock, and they were just as full as ticks, and they shrunk around 90 pounds to market. That would be over 1 pound—that would be 1½ pounds a day more, but no man, packer or anybody else, could have bought cattle under those conditions because they would not have dressed anything; that is, they would have dressed something, but the percentage would have been so low they would have had to buy them way down to have had the beef where they could sell it.

The CHAIRMAN. I was interested in the gain.

Mr. Lynn. Yes, sir.

The Chairman. That was a very nice gain.

Mr. Lynn. Regarding split shipments, I think that cattlemen easily understand how the Federal Trade Commission could make a report like they did this morning—like the one that was introduced here this morning. Just to show this committee how easy it is for two packers to buy a drove of cattle that we market, take, for instance, where we have too many cattle to get in one pen. Here is a firm in Chicago that has two salesmen. The yard man will fill one pen with part of our cattle on one side of the alley and fill the pen on the other side with the rest of our cattle. There will be two packer buyers, one with each one of these salesmen. I have had it happen time and again that one packer buyer would buy my cattle on one side of the alley because he was trading with that fellow, and another buyer would buy the cattle on the other side, and yet my account sale would show that one packer bought one part of them and one packer the other.

Mr. McLaughlin of Nebraska. While you are on split shipments, Mr. Lynn, how would you understand this telegram recorded on page 85 of part 2 of the Federal Trade Commission's report, a telegram from A. B. Swift to Leavitt:

> Seventeen loads cattle on this market to-day (St. Joseph) which have splits in Kansas City. The Kansas City splits mostly sold steady prices. Have instructed cattle buyers to buy splits in line with Kansas City.

Mr. Lynn. That is perfectly legitimate.

Mr. McLaughlin of Nebraska. They are going to other points——

Mr. Lynn (interposing). Why should he not instruct his men to buy them in line with other markets? He is not the only buyer on that market. If the cattle are worth more on the other market, why sell them to the other fellow?

Mr. McLaughlin of Nebraska. If the cattle were worth either more or less, according to the quotations on another market, why should they be instructed to buy on this other market in line with Kansas City prices?

Mr. Lynn. He wanted them to buy them in line or leave them alone. He did not want the beef if they could not buy them in line; is not that satisfactory?

Mr. Borders. May I give the explanation of that?

Mr. McLaughlin of Nebraska. Yes.

Mr. Borders. You take the St. Joe market; the St. Joe market is 60 miles from Kansas City, a very short distance, as you know. The St. Joe market is what you would call a Swift market. If Brown or Smith or Jones in Kansas would send part of his cattle to Kansas City and part to St. Joe, and the cattle in Kansas City would bring a great deal more, substantially more than at St. Joe, what would become of the St. Joe yards? Swift is interested in building up that yard. There is the one great reason and the one great argument why the packer should be interested in those yards, because if that shipment in Kansas City would bring substantially more than at St. Joe, that fellow would never again ship to St. Joe. Now, answering your question further, at St. Joe there may be no demand on that particular day for that particular class of cattle; that is easy; that very often happens, and legitimately happens, and is something over which the packer has no control, and yet if Mr.

Swift would learn that a part of Brown's cattle were in Kansas City and brought a certain price that day, Swift would naturally want the cattle at St. Joe to bring what they brought at Kansas City regardless of everything in order to boost the St. Joe market; and that is done, and do not make any mistake about it, and it is perfectly legitimate, and it is in the interest—here is the great point—it is in the interest of these little markets which are of benefit to the producer of the cattle, because they are closer to the producer, saving him shrinkage and freight. Thank you.

Mr. VOIGT. Let me interject here. If a shipper should split his shipment and send them to two or three of the largest markets in the country, the packers would send on one of these wires just the same, would they not?

Mr. BORDERS. You are talking now about a wiring on?

Mr. VOIGT. Yes.

Mr. BORDERS. That is different from this. This is an entirely different proposition. This is where a man has shipped part of his cattle on the same day to Kansas City and part to St. Joe. That does not involve the wiring-on proposition.

Mr. VOIGT. If I understand this correctly, it is a wiring-on proposition, is it not?

Mr. BORDERS. Oh, no.

Mr. MCLAUGHLIN of Nebraska. This telegram was submitted in connection with the question of split shipments.

Mr. BORDERS. That is right. You see a man ships part to Kansas City and on the same day has part of the cattle at St. Joe.

Mr. VOIGT. I understand that, but to my mind the same principle is involved. Here is a man who ships to two markets. Whether he reships from one of those markets or not makes no difference whatever. The man ships to two markets, and as I understand it, the practice of the packers is that when they discover those two shipments they wire with respect to the fact that this man has sold or has shipped to two markets, and they endeavor, so far as I can see from this report, to get him the same price in both markets.

Mr. BORDERS. No; not the same price, but to see that in the little markets in which they are interested in building up—and it all depends upon whether the packer is interested in that market, and you will find dispatches where they could not get Morris, for instance, to buy at St. Joe. He did not want them: had no use for them, but you take a market in which a particular packer is interested and he finds that part of the cattle on the same day are in another market, he is going to make the cattle, if possible, in this small market, come up, because otherwise that small market, which needs all the boosting it can get, would not prosper.

Mr. LYNN. I have known instances when a split shipment was in Kansas City and in St. Joe, and the St. Joe cattle would outsell the Kansas City cattle 40 cents, and was bought by different packers.

Mr. MCLAUGHLIN of Nebraska. Then it might look like a telegram of this kind, giving instructions relative to the purchase of a split shipment, might be for the purpose of keeping down the price in St. Joe or whatever other place the spit was sent to, rather than allowing the buyer to get the advantage of the daily quotations in that market.

Mr. **Borders.** If you will think of the effect of that you will find there is where you run counter to your 50-50 theory. The 50-50 theory of the people who have advanced it, at least, is that the producers do not get the benefit of it, but where a packer is interested in a small market like St. Joe, taking that very case, if there is anything in the theory of 50–50, you could not conceive of the St. Joe market going way above a market like Kansas City, the second largest market in the country, where there are a world of buyers outside of the packers, eastern order buyers and eastern packers. The language you have read, as I catch it, is between the representative of Swift & Co., at Kansas City, and the representative of Swift & Co., at St. Joe, and if you will analyze that theory and sleep on it, you can easily see that it is in the interest of the little market, and if you get the packers out of that little market, you take all the interest out of that little market. To my mind that is the strongest argument that can be advanced for the packer being interested in these small markets. Kansas City, Omaha, and Chicago will take care of themselves. There are a world of bidders on all that sort of stuff, but it is the little market like St. Joe or Oklahoma City where you need just this kind of telegram in the interest of the producer, and I wanted to give you this explanation, because I think you are entitled to it.

Mr. **Lynn.** I have known of several instances where I have had cattle on the St. Joe market and other men have had them there on the same conditions. They were good enough for the New York trade and the buyer at St. Joe would wire the head buyer in Chicago and tell him about these cattle, and he has gotten orders to buy these cattle and has given considerably more of a price for them than they would have brought on that market. I do not think any cattleman has any objections to the buyers wiring to one another.

Mr. **McLaughlin** of Nebraska. Of course, in order to get the exact facts in connection with this telegram, it will be necessary to go back and find what the price quotations were on those markets on that particular day. I suppose than can be done?

Mr. **Borders.** I will be very glad to have you do it in any of these cases, because I know what those wires mean. Those wires mean boosting the little markets.

Mr. **Rainey.** Do you find competition in these markets you ship your cattle to amongst the big packers?

Mr. **Lynn.** Certainly.

Mr. **Rainey.** Have you ever experienced the big packers bidding the same price on your stock?

Mr. **Lynn.** Yes; I have.

Mr. **Rainey.** And have you at the same time had others make bids on your stock?

Mr. **Lynn.** Yes, sir.

Mr. **Rainey.** You usually ship where?

Mr. **Lynn.** To Chicago.

Mr. **Rainey.** Have you ever enjoyed the experience of having only one packer bid, with nobody else bidding?

Mr. **Lynn.** I never have at Chicago—well, now, I will take that back. Yes; I have sold cattle on the first bid in Chicago.

Mr. **Rainey.** Why?

Mr. **Lynn.** Because it was a big price for them.

Mr. Rainey. A better bid than you would get later on, you thought?

Mr. Lynn. That was my opinion.

Mr. Rainey. But you were not precluded from waiting to get other bids on them?

Mr. Lynn. No, sir.

Mr. Rainey. And as a usual thing, your experience has been that there are many bids and plenty of competition in the Chicago market?

Mr. Lynn. There is no question but what there is competition at all markets. I have never been to a market yet that there was not competition. It is not much in a market like St. Joseph as it is in Chicago, but they do not need as much competition there because they do not have the cattle.

Mr. Rainey. Have the big packers to your knowledge ever taken any unfair advantage of you?

Mr. Lynn. No, sir; I do not think they ever have.

Mr. McLaughlin of Nebraska. Now, further along that line of questions, you have stated about the bids that the packers have made on your stock. Do you not deal exclusively with the commission men? Do you have means of knowing at the time what packers are bidding on your stock?

Mr. Lynn. Yes, sir; I have.

Mr. McLaughlin of Nebraska. You have?

Mr. Lynn. Yes, sir; 9 times out of 10 when I am in the yards, if the commission man gets a bid on a drove of my cattle he tells me just as quick as he can, and 9 times out of 10 it is up to me whether he sells them or not.

Mr. McLaughlin of Nebraska. But your dealing is exclusively with commission men?

Mr. Lynn. Certainly.

Mr. Rainey. Do you usually accompany the commission man when your cattle are being sold?

Mr. Lynn. If I am at the market I am there when they are sold. That is my business.

Mr. Rainey. They report to you the various bids they are offered?

Mr. Lynn. Yes, sir.

Mr. Rainey. And it is up to you to decide what bid yu will accept?

Mr. Lynn. Yes, sir.

Mr. Rainey. And if you did not wish to sell the commission man would not have the right to dispose of them.

Mr. Lynn. I never had a commission man do a thing that I did not want him. I never knew a commission man to sell a drove of cattle for a man when he instructed him not to sell them.

Mr. Rainey. You may proceed, Mr. Lynn.

Mr. Lynn. Regarding the competition, I have bought cattle on almost all the western markets, and I am absolutely positive that there is competition amongst the packers and speculators and country buyers on all these markets. There are times when the thing looks bad and some of them are loaded until they can not handle any more, and for that reason they are not as active as they are when they are needing more cattle, but the market never gets so bad but what there is some competition.

Mr. Lightfoot. May I ask you a question, Mr. Lynn?

Mr. LYNN. Yes, sir.

Mr. LIGHTFOOT. It has been stated here by some of the producers who have appeared as witnesses that if you deduct the increased value of their land that they would not show a profit on their operations. Do you attribute your prosperity merely to the increased value of your lands, or what is your experience on that point?

Mr. LYNN. Mr. Lightfoot, that was my object in telling you my own personal experience. I had no land to advance in value. I have never made any money off of real estate. I have never sold but one piece of land in my life, and that was a one-third interest in 87 acres. I made what I have out of feeding cattle and hogs, and I would not have made it had it not been for the packers.

I am satisfied I would not have made it if there had been a commission telling what I could do and what I could not do. And I am satisfied the packers would not have made it so well if there had been a commission telling them what they could do and what they could not do.

Mr. McLAUGHLIN of Nebraska. That is an assumption on your part. You have had no experience along that line, nor have any of us, in regard to this particular industry.

Mr. LYNN. Do you think that you could select a commission that could run the packing industry as efficiently as it is being run?

Mr. McLAUGHLIN of Nebraska. I might be able to select a commission that would make it its business to discover any discriminatory practices and help in relieving that situation. I might select a commission that could assist in a condition like this—where the 74 commission men in Chicago on April 11, 1916, wrote to the packers and said:

CHICAGO, ILL., *April 11, 1916*.

To the packers:

We, the undersigned live-stock commission merchants on the great Chicago live-stock market, representing literally thousands and thousands of producers of live stock and dealers therein, join in sending you this protest: First, against methods that have been used lately to influence violent price fluctuations, apparently not warranted by the natural operations of supply and demand; second, against the conditions under which the market is now forced to operate.

For some time past, actions have been witnessed on the part of large purchasers of live stock that seemed to be unfair and unjust; and time and time again, undue advantage has been taken of the sellers of all kinds of live stock.

There is, apparently, no good reason why the buyers representing the larger packing interests should refuse to go out and bid on, and try to buy, stock until a late hour in the forenoon, as has been the custom for the past several years, and in many instances until after the noon hour.

We contend that such methods, employed to retard the progress of the market, have been very much to the disadvantage of the producers, the commission merchants, and the banks doing business at the stockyards, and the stockyards company. It was formerly the custom for more than 20 years to open the cattle market about 9 o'clock in the morning, and in a great many cases consignments of cattle were sold considerably before that hour, and it was not unusual for the entire receipts of hogs to be sold and weighed by 9 o'clock. The shippers received returns for their stock on the same day it was sold, and business was generally conducted in a much more satisfactory manner.

We, as commission merchants, are not seeking for any favor or looking for any advantage for ourselves. All we desire is the same fair and square treatment that we have given you for the last 40 years, but we believe that you owe it to yourselves and to us, as well as to the producers of live stock, to so use your great influence to strengthen and build up the public live-stock markets of the country and to improve your standing in the estimation of the live-stock community of the United States.

(Signed by 74 commission firms of Chicago.)

I might be able to select a commission that could assist in remedying conditions complained of here, so that they might not occur again.

Mr. BORDERS. Mr. Congressman, that referred principally to early buying. And if you will follow it up you will find that immediately after that when the packers were out bright and early the commission men were not ready. That was in reference to early buying.

Mr. LYNN. You say those 74 commission men represented how many shippers?

Mr. MCLAUGHLIN of Nebraska. Thousands and thousands of producers of live stock, and evidently they did.

Mr. LYNN. Probably that live stock was purchased in Kansas City, Denver, or Omaha, and why wouldn't it be fair for the commission men on those markets to send request to those thousands of shippers and make them come out and buy cattle early when they were buying feeders?

Mr. MCLAUGHLIN of Nebraska. Well, I have no means of knowing——

Mr. LYNN (continuing). Show me a feeder who does not want to buy his cattle when there is a big run. He takes just as much advantage of the market as the packer ever thought about taking.

Mr. MCLAUGHLIN of Nebraska. Oh, everybody is more or less selfish, I expect, except you or I.

Mr. LYNN. No; I think I am as selfish as any of them.

Mr. MCLAUGHLIN of Nebraska. Well, maybe I am, too.

The CHAIRMAN. Speaking about profits, isn't it true that farming has had its ups and downs in your State like every other State?

Mr. LYNN. Yes, sir.

The CHAIRMAN. And in the feeding business we have had lean and fat years, haven't we?

Mr. LYNN. There have been some years when the profits have been very large and other years when there have been losses.

The CHAIRMAN. Does not the profit depend more or less upon the knowledge, experience, good judgment, and capacity for handling live stock? Does not a profit depend on all these things as well as perhaps a thousand other things? And do not these things account for some men making a success at farming and others incurring losses?

Mr. LYNN. Well, it probably is a fact, but I have never figured that I was any smarter than the other fellow.

The CHAIRMAN. You may be a better feeder than the other fellow.

Mr. LYNN. The trouble is that I did not do much of this feeding myself that I have referred to; it was done by hired men.

The CHAIRMAN. Well, it is a fact in the feeding business, as well as in every other business, that some men make a success while others do not.

Mr. LYNN. Certainly.

The CHAIRMAN. So, after all, I do not see that that question enters into this controversy so very much unless you can show that the packers are responsible for something in connection therewith. Of course, there are many people that think the works and action of the packers have a good deal to do with the success or failure of the live-stock man. In your case you say if it had not been for the packers, or I so inferred from what you said, it would not have been possible for you to have gotten along as well as you have.

Mr. Lynn. No, sir.

The Chairman. And there are 1,000 other ifs to that success, aren't there?

Mr. Lynn. Sir?

The Chairman. If you had not had the railroad to transport your product, rain, corn to feed them, and stockers, there might have been a different situation?

Mr. Lynn. Yes; but if we had had all these other things and had not had the packers I do not know what I would have done.

The Chairman. Do you think that all your success depended upon the packers?

Mr. Lynn. I did not say that. But I say if it had not been for the packers——

The Chairman (interposing). Do you think that Providence had anything to do with your success?

Mr. Lynn. Yes; I think we owe Him for all of it.

The Chairman. And I infer from your statement that you think this is an effort to put the packers out of business; is that your understanding of this legislation?

Mr. Lynn. I do not mean that that is the intention of this legislation, but there has been legislation enacted that did not turn out the way it was intended.

The Chairman. If the packers are the salvation of this country, and if this bill will encourage more packers to come into the field, why do you object to this legislation?

Mr. Lynn. I do not say they are the salvation of this country.

The Chairman. They have been beneficial to you?

Mr. Lynn. Yes, sir.

The Chairman. And I suppose they have been beneficial to everybody else, in the furnishing of a market for live stock, as far as that is concerned.

Mr. Lynn. Yes; I think so. But I did not say they have been the salvation of this country.

The Chairman. They have been a great help?

Mr. Lynn. Yes, sir; I think it is the greatest industry, along with the railways, that there is in this country to-day.

The Chairman. If it is not the purpose of this legislation to injure the packers, why do you object to legislation?

Mr. Lynn. I object to a live-stock commission. I object to putting the business under incompetent politicians.

The Chairman. Let us discuss the packers first: We all agree that we want the packers. But if we now have 286 and they are beneficial to the country would not that many more be that much more beneficial? If the object of this proposed legislation is to encourage the packing industry, why do you object? Of course, I realize that there is an honest difference of opinion in regard to the matter.

Mr. Lynn. I do not know that this proposed law will encourage the packing industry.

The Chairman. There is a difference of opinion on that point, of course.

Mr. Lynn. Well, as far as I am concerned, I do not think it would. I think it will not only discourage the packing industry, but will discourage the production of the raw material needed by the packers.

The CHAIRMAN. If you were convinced that it would encourag the packing industry you would be for it, would you not?

Mr. LYNN. Yes, sir.

The CHAIRMAN. It must be left to the best judgment of each concerned whether it will encourage or discourage the packing business?

Mr. LYNN. Yes, sir.

The CHAIRMAN. What is there about it that will discourage the packing industry as a whole? We are not discussing alone these five, but are referring to the packing industry generally, although the Big Five are usually referred to?

Mr. LYNN. I speak of packers as packers and not as the Big Five.

The CHAIRMAN. We are now up to the proposition of a commission: Why do you object to a commission?

Mr. LYNN. I object to it on the grounds: If legislation can be enacted whereby a commission may go to the packers, little or big, and tell them what they shall do and what they shall not do, there is no reason why such a commission should not come to me and tell me the same thing.

The CHAIRMAN. Then you have no confidence in the judgment of the proposed commission?

Mr. LYNN. No, sir. I have no confidence in their ability.

The CHAIRMAN. You think we would be taking a great chance in having a commission?

Mr. LYNN. Yes, sir.

The CHAIRMAN. They might err in judgment, or there might be a mistake made in the selection of the commissioners, do I understand you to mean that?

Mr. LYNN. I figure that they would be likely to err in judgment. I am not saying they would err intentionally, but it would likely be a lack of ability.

The CHAIRMAN. So for as a commission is concerned we might agree upon a great many of these objections. I confess that we have not had the results that we might desire under the commissions we have had during the war; but after all, I take it that the testimony given before the committee—and you said you had the report of the Federal Trade Commission—shows, and it seems to me that all, even the representatives of the packers, would agree that there should be some legislation. If it is necessary to strengthen the present statutes it might be a wise thing to do so. What do you think about that?

Mr. LYNN. I do not think we need any more than the packer decree.

Mr. MCLAUGHLIN of Nebraska. Are you in favor of government by decree, instead of by legislation?

Mr. LYNN. No, sir.

The CHAIRMAN. Are you a lawyer?

Mr. LYNN. No, sir.

The CHAIRMAN. What knowledge have you of prosecutions in the past?

Mr. LYNN. I do not know a thing about law. I am a farmer.

The CHAIRMAN. Did you say that there should not be any further legislation?

Mr. LYNN. What was your question?

The CHAIRMAN. What leads you to the conclusion that there should be no legislation whatever?

Mr. LYNN. I do not think that the packers are violating any laws now. I do not think that we need any more laws.

The CHAIRMAN. What do you say about the past?

Mr. LYNN. And, you know, I do not know whether they have ever violated a law; I do not know it personally.

The CHAIRMAN. If they have not violated any law, why did they agree to the decree which has been entered by the Supreme Court of the District of Columbia?

Mr. LYNN. I think that was a mistake for them ever to consent to the decree.

Mr. LIGHTFOOT. In that connection, I would like to state that it is specifically stated in the stipulation made with the Department of Justice that in agreeing to the entry of the decree there should be no finding of facts, and that in the making of the stipulation or the entry of the decree there should be no adjudication of any of the facts charged in the Government bill, and no admission of guilt on the part of the packers of having violated any law of the land. That was specifically agreed to and provided in the stipulation filed. So that the packers, in agreeing to the entry of this decree, did not admit guilt, and it was, as I have said, specifically provided that the entry of the decree should not be construed as an admission of guilt.

Mr. MCLAUGHLIN of Nebraska. To put it in plain farmer language, so that us ordinary farmers can understand it, you merely said: We are not guilty, but will not do it any more.

Mr. LIGHTFOOT. No, sir. We never did say that we did it, in the first instance. We denied that we did it in the first instance. In that connection, I would be very glad to have the privilege of filing the answer of Wilson & Co. to the Government bill in this proceeding, so that you may see just what we did say about it.

The CHAIRMAN. I am not alleging that there is any violation of the law, but it is fair to assume that there are violations by packers just as there are by others, and my question is based on the report made by the Federal Trade Commission. One would infer from that report that there may have been some violations of some laws. And there would be nothing strange about it if there had been; it would be no exception.

Mr. LIGHTFOOT. It has been stated by some witness before this committee that the packers must have been guilty or they would never have consented to the decree; and, no doubt, a great many people in the country will have the impression, because of the fact that we did consent to the decree, it was an acknowledgment of guilt. But there was nothing of that kind in the minds of the packers or of their attorneys. We met what we thought was public opinion in this country; that it was objected that the packers be in certain lines of activity because it has been charged by the Federal Trade Commission and others that we were attempting to monopolize the American table. The packers wanted to convince the country that we had no such purpose, and that they have never done it, and in order to more thoroughly convince them thereof were willing to put themselves in a position where it would never be possible for them even to attempt anything of that kind.

In order to more thoroughly convince the people of this fact, they were willing to agree to abandon these lines. The packers also agreed to sell the stockyards, not because of anything wrong in their connection therewith but because the producers of the country claimed that was the basis of a great many troubles they experienced that it was the control of the yards that gave the packers some mysterious power to dominate or manipulate the market. And in order to assure the producers of the country that there was no such thing in the minds of the packers, and that it had no such effect, they voluntarily and willingly agreed with the Department of Justice that they would surrender whatever interests they might have in the yards, believing that thereby the producers of the country would become satisfied that that was not the case, that the packers were not engaged in activities adverse to the interest of the producers. It was not because of any consciousness, nor was it an admission of having violated any of the laws of the land by reason of ownership of stockyards or being engaged in the so-called unrelated lines. And it was so provided and stipulated in the agreement on file in the Supreme Court of the District of Columbia. I think it proper that the committee have that point brought out.

The CHAIRMAN. I am glad that you brought it out, Mr. Lightfoot.

Mr. BORDERS. Let me say——

The CHAIRMAN (continuing). Let me make this clear: While it is not fair to assume that there has been a violation of law, still I think it would be fair to make the general statement that there are some grounds for suspicion that there have been violations of the law by the packers. I do not know that that is an indictment against the packers particularly. I think we will all agree that there are violations of the law by other people as well as by the packers. And the packers are no more infallible than the rest of us.

Mr. BORDERS. There is one proposition in connection with this decree being based upon guilt, or, Mr. McLaughlin, as expressed by your remark, "We are not guilty, but we will not do it any more." I want to say that there is nothing of that sort at all. This decree was agreed upon along constructive lines, as we thought, to get rid of this agitation that is hurting this very sensitive industry and so that the industry might get back to assisting in production, that this country now needs so much.

And, gentlemen of the committee, let me say this: We gave up in this decree businesses that never could have been taken from us by any legislation or any litigation on earth. And I challenge contradiction of that statement, not only now but at any time before these hearings close. I want to say that that is a very broad statement, but I make it advisedly.

Mr. RIDDICK. Why did you give them up?

Mr. BORDERS. Because of these things: That through this report of the Federal Trade Commission and through this agitation that has been going on for two years, the American people, or at least a part of them, were led to believe that there was a good deal of danger of the big packers monopolizing the American table, principally in the matter of their groceries; these side lines. The American people despise a monopoly, naturally, and particularly when it comes to food products, the things that must go on the American table. We wanted forever to set at rest that proposition. We wanted to convince the American people there was no ground for that charge, and in any event that there was no possible danger from such a condition. Therefore there was entered a perpetual decree against these defendants, some hundred and forty-odd corporations, that they would not engage in these unrelated lines at all in the future. And when I make this statement that we gave up businesses that could not have been taken from us, I mean that I take it to be the law of this land that you can be a farmer and a banker at one and the same time if you have the opportunity and wish so to be. There is no law in this land that you must be confined to one industry; that you can not engage in two activities.

I want to make that clear in my statement; I do not think there is any law in this country that would have prevented Mr. Armour or Mr. Swift or Mr. Morris or Mr. Wilson or Mr. Cudahy from engaging in the wholesale grocery business if they felt so inclined. I do not believe you can pass an act that would be valid that would reach that question. But in view of the situation we did come forward and say: Now, we will meet this thing; we will do away with this agitation; we will make it impossible for anyone to do what is charged, so that we can get steady again; that this industry may become settled—for these reasons we said we would put this in the shape of a perpetual injunction.

That is true also as to our interest in the stockyards. I do not think that you could say to Edward Morris or to J. Ogden Armour you can not have 10 shares of stock in a certain stockyard. But this decree fixes it. And when you are inclined to jump on that injunctional decree, think about that, will you, and give us credit for attempting to do something constructive. It was not done through any sense of guilt, because, as Mr. Lightfoot has well said, you will find in the stipulation and in the decree it is expressly provided that there are no findings of facts of guilt and there is no adjudication of guilt.

If there had been you would never have had a chance on earth to get that decree; not a living chance, because I know that we have not violated any law, and I know that we are ready to meet that issue any time. We have met it. We went through the trial of 1912, before a jury, lasting eight months, and all these facts, all these percentages of buying, were brought forth just as fully as they have been brought out here, with all of the tables and all that sort of thing.

Mr. Congressmen, have I answered your questions?

Mr. **Riddick**. I want to say, then, that the packers have given up voluntarily a very important and valuable right——

Mr. **Borders** (interposing). Absolutely.

Mr. **Riddick** (continuing). As a recognition of the sentiment of the country.

Mr. **Borders**. Absolutely.

Mr. **Riddick**. And not through any guilt?

Mr. **Borders**. No, sir. The decree is not based upon guilt. If it had been there would never have been a decree. You can just bank on that.

Mr. **McLaughlin** of Nebraska. What do you mean by that?

Mr. **Borders**. That is, that we have never conceded guilt, and guilt has never been proven against the packers.

Mr. McLaughlin of Nebraska. And if there had been guilt you would not have consented to any decree?

Mr. Borders. There is no use indulging in "ifs," because I know that there is no guilt. You and I know what ifs are; you can apply the word "if" either way you want to. But I say as to any decree that would have involved guilt, there was never a chance on earth to get the packers to agree to such a thing.

Mr. Riddick. Having given up so much do you think that will put a stop to this antagonism against the packers?

Mr. Borders. I do not know. I had hoped so. But there is some agitation, and there are some hearings. I do not know but what you can answer that better than I can.

The Chairman. There is evidence to the contrary at least.

Mr. Borders. Yes, sir.

Mr. Wilson. Yes, sir. Right before this committee that is shown. They are criticizing the Attorney General now.

Mr. Borders. Have I answered your question on the matter of the decree, Mr. McLaughlin? It is an open book. There is no trouble about it. There is nothing concealed so far as we are concerned.

Mr. McLaughlin of Nebraska. I think you have made your position clear on that matter.

The Chairman. I think that will come up later. Mr. Tincher has some questions he wishes to ask on that line.

Mr. Borders. The decree has been put into the record?

The Chairman. Yes; but has not been printed as yet.

Now, Mr. Lynn, if legislation is necessary to insure competition or whatever may be needed, would you be in favor of such legislation?

Mr. Lynn. I am not opposed to legislation covering any industry, but I am opposed to an industry being put under the supervision of a commission.

The Chairman. You want legislation uniform in its application, whatever the legislation may be?

Mr. Lynn. What is that?

The Chairman. You want any legislation that may be enacted made uniform in its application? You do not want any special legislation to be enacted to apply to any particular industry, but you want it to apply generally?

Mr. Lynn. Well, I do not know that it is necessary to have any additional legislation.

The Chairman. But if it should be found that the antitrust laws could be strengthened would you have any objection to that being done?

Mr. Lynn. No, sir.

Mr. Wilson. In other words, I judge from your remarks that you are as a general proposition against the commission form of government?

Mr. Lynn. I certainly am.

Mr. Wilson. So am I.

Mr. Lynn. For the packer, the farmer, or anybody else.

The Chairman. And you are not the only one who is opposed to government by commission.

Mr. Riddick. Right along that line let me ask: During recent years on account of the war we have had numerous commissions and Government regulations. Do you think they have helped the producer in any way?

Mr. LYNN. No, sir. I think this Government has worked against the producer. There is scarcely a thing that the farmer has grown but what the price thereof is regulated.

Mr. RIDDICK. As a matter of fact, the most of these Government regulatory provisions have worked injury to the producer, have they not?

Mr. LYNN. Yes, sir.

Mr. RIDDICK. That has been my experience as a farmer.

Mr. McLAUGHLIN of Nebraska. Suppose you be specific on that and give an instance of it.

Mr. RIDDICK. Well, as to fixing the price on wheat.

Mr. LYNN. Yes; for instance, there has been a maximum put on wheat. Production has been encouraged and consumption has been discouraged. We have had meatless days and wheatless days, and everything of that kind, in order to get the people to quit consuming. I will tell you what I think this country needs to-day. That is encouragement of exports. If you want to help the producer, get busy and try to find a market for something we have to sell.

Mr. McLAUGHLIN of Nebraska. We might well do that, too; but you know that conditions during war time, when people were being urged to conserve in order that the soldiers might be taken care of, were entirely different from what they are normally. And to judge of the success or failure of a so-called commission during a time like that which we have just passed through and apply it to normal peace time might lead you to an entirely unwarranted and unfounded conclusion.

Mr. LYNN. Well, I would like to say this: Isn't it a poor rule that will not work both ways? Here is the farmer who has a price set on his product. Now, what is there that the farmer has to buy that the price is put on? There is no maximum price put on the tools that I have to buy.

Mr. McLAUGHLIN of Nebraska. How many farm products had a maximum price put on them during the war?

Mr. LYNN. I do not know how many, but the maximum price put on wheat also regulated the price of corn. If there had not been a maximum price put on wheat it would have been worth several dollars a bushel more.

Mr. McLAUGHLIN of Nebraska. Do you think the minimum price placed on hogs for a time resulted in depressing the market on hogs?

Mr. LYNN. I think it was all nonsense putting a minimum price on hogs.

Mr. McLAUGHLIN of Nebraska. Didn't it enhance the price for a while?

Mr. LYNN. I do not think it did.

Mr. McLAUGHLIN of Nebraska. Well, I think it did.

Mr. LYNN. I know this, that the 13 to 1 never materialized with us fellows who fed them. I had 1,300 hogs and I know about that. I fed them on the strength of the promise of 13 to 1.

Mr. RIDDICK. Coming back to the packers: I understand that you have sold stock all the while for the last 15 or 20 years.

Mr. LYNN. Yes, sir.

Mr. RIDDICK. And you have gone with them to the market usually?

Mr. LYNN. Yes, sir.

Mr. RIDDICK. And you have made some poor sales and some good sales?

Mr. LYNN. Yes, sir.

Mr. RIDDICK. And you felt that you always got a square deal?

Mr. LYNN. Yes, sir.

Mr. RIDDICK. And you think the packing industry is as perfect as it could be made?

Mr. LYNN. I could offer no suggestions toward making it any more perfect. They do so much better than I could hope to do that I would not want to interfere in any way; I would not dare make a suggestion.

Mr. RIDDICK. Haven't you sometimes wondered at the violent fluctuations at the market for live stock in the face of a steady market for meat products?

Mr. LYNN. When I found out the real cause of those fluctuations it was not hard for me to understand them.

Mr. MCLAUGHLIN of Nebraska. What were they? What forced the price of hogs down so low last fall when the price of meat to consumers seemed to remain practically the same.

Mr. LYNN. I think you will find that the retailers were the ones that were getting the difference in the prices. The price at retail did not change at our own meat market.

Mr. MCLAUGHLIN of Nebraska. Well, we have had investigations of retailers here, too, and the figures that they submitted would indicate that they have not been getting very much profit. In fact, in the most of the investigations the claimants seem to put forth the idea that the producers are responsible for the high cost of living, but I do not know that they have been able to convince this committee of that.

Mr. LIGHTFOOT. That investigation showed that there were over 700 retail meat markets serving the population of this city, while the same service could be rendered by about 200.

Mr. RIDDICK. You say that your experience at selling live stock on the markets has been satisfactory. Do you think that is the common experience of live-stock producers who sell stock on the live-stock market?

Mr. LYNN. I think that is the experience of the cattle feeders in our country. They strike bad markets at times and feel blue over it, but they generally figure they got all the cattle were worth. That is all any of us want.

Mr. RIDDICK. How do you account for the sentiment that is broadcast over the country in opposition to the packers and to the packing industry?

Mr. LYNN. Well, I account for it in this way: There is an agitation the country over for the farmers to organize. I want to use an illustration that happened right in our home community, of which a man was telling me the other day: There was a man there and they were making a drive for members for the Farm Bureau. There was a man present sent out there from the Missouri State University. They wanted to follow the lead of Illinois and Iowa and, I believe, about 30 other States. They came up to one man and asked him to join and he refused. He said he thought these organizations were going to the extremes. This fellow had said, in effect: We have got to get organized in order to use all the force we can to control the packer and be represented in everything that comes up.

This other man said, in effect: Well, I have just been an ordinary cattle feeder. I have studied the question a good deal, and I am satisfied that the packers are not getting a great percentage of the profits; that the reason they have made the money they have made is because of the volume of business they do. This fellow turned away and said: "Drive on. There is no use of talking to that man; he doesn't know anything." That is the agitation the country over, I think.

Mr. Riddick. Do you think the farmers who know the most about the packing business and who come in closest contact with it are satisfied?

Mr. Lynn. Yes, sir; I do.

Mr. Riddick. And that the agitation comes from farmers who know little or nothing about the packing business; is that your idea?

Mr. Lynn. Not necessarily. There are some farmers who are high up in the business and who are on the executive boards of these organizations that are fighting the thing.

Mr. Wilson. Do you find that they are real farmers or students of farming who run around the country trying to organize these different farm organizations; which is true?

Mr. Lynn. It is not the real farmer in ninety-nine cases out of a hundred.

Mr. McLaughlin of Nebraska. Mr. Chairman, I can not think the witness wants to go on record in a statement of that kind, when the fact is that the largest producers of live stock in the country have come before this committee and others and registered their complaints—men who sell thousands upon thousands of live stock.

Mr. Wilson. Yes; and, on the other hand, some of the largest producers have come forward and registered their complaints against legislation.

Mr. McLaughlin of Nebraska. As individuals.

Mr. Lynn. I wish it were possible, gentlemen of the committee, for the biggest men of our country to come and express themselves to you in regard to this proposed legislation. I can not properly express their sentiment—men who handle thousands of cattle.

Mr. Riddick. What are their sentiments?

Mr. Lynn. I live in a county that produces, I think, more corn-fed cattle than any other county in the United States. Of the cattle sold at the Denver show, Atchison County got 10 per cent of them. There are eight towns in our county, and our county agent told me that their reports showed 900 cars of fat cattle out of Tarkio in the year 1919—a little country town.

Mr. Wilson. Have you found many farmers in your county belonging to farm organizations?

Mr. Lynn. Certainly the farmers belong to them. If you don't join everything that comes along you are called a slacker. That was the rule they had after the war broke out—that you must join everything—and they have kept it up. It was a habit that the people got into. I join almost everything that comes along. I am for good roads and all kinds of taxes. Gentlemen, you can not get something for nothing. If I can get into a thing and boost it along and it is going in the right direction, I want to do it. I could no help by staying out. I am a member of our farm bureau.

Mr. Rainey. You said you wished the big producers of you county were able to come here and express their opinions about thi legislation. Would they be for or against it?

Mr. Lynn. They would be more opposed to it than I am.

Mr. Riddick. What is their position in regard to this propose legislation?

Mr. Lynn. They are just scared to death of a live-stock commission.

Mr. Riddick. Is there anything else they are opposed to?

Mr. Lynn. They know, and we all know, that if the refrigerator cars are taken away from the packers that we will have to bear the brunt of the matter. The packer can not buy cattle to-day unless he knows where his cars are to come from to handle the meat in to-morrow or the next day.

It is just as much a part of the packer's equipment, the refrigerator cars are, as are the packing houses or anything else they have. It is just as much a part of their equipment as the butcher knife.

Mr. Riddick. You are a little afraid that the Congress is going to do something to cripple the packing industry, is that your fear?

Mr. Lynn. That is what I am afraid of. I am really blue over seeing so many——

Mr. Riddick (interposing). What gives you the impression that the Congress is liable to cripple the packing industry; how do you get that idea?

Mr. Lynn. Well, I have heard a good deal of the testimony here, and I am somewhat surprised at the attitude of the Members of Congress on this question.

Mr. Riddick. I have not heard any Member express his views as to what he will finally do. Questions are asked by Members in order to bring out certain points.

Mr. Lynn. Well, I was going by the questions that have been asked.

Mr. Riddick. In the questions that the members of the committee propound to witnesses they are merely attempting to bring out the facts so that they may be informed of the situation, and have the information which persons appearing before the committee may possess.

Mr. McLaughlin of Nebraska. Yes; I would suggest to you, Mr. Lynn, that you can not tell from the questions propounded by the committee how they are going to vote on this legislation. These questions are merely asked to call out the facts.

Mr. Rainey. I take it, Mr. Lynn, your judgment of what may happen is based upon the report of the Federal Trade Commission and the bills that have been introduced in Congress.

Mr. Lynn. Yes, sir; I have read a good many of them, but I can not repeat them, of course.

Mr. McLaughlin of Nebraska. Have your fears been raised any because of the paid advertisements that the packers have been putting in all of the country newspapers for a good many months?

Mr. Lynn. What is your question about my fears?

Mr. McLaughlin of Nebraska. Have your fears on this question been increased because of the paid advertisements the packers have been putting in all of the country newspapers for a number of months past; have you been reading those advertisements?

Mr. Lynn. Yes, sir.

Mr. McLaughlin of Nebraska. Do you suppose those had anything to do with raising your fears?

Mr. Lynn. You know I think the people needed to know the facts that those advertisements brought out.

Mr. McLaughlin of Nebraska. Well, maybe they were facts and maybe they were not. Had you ever thought of that?

Mr. Lynn. Well, I am going to believe a man is telling me the truth until I know differently.

Mr. McLaughlin of Nebraska. That is, if he is a packer?

Mr. Lynn. Anybody.

Mr. McLaughlin of Nebraska. You would not give the same credence to the report of the Federal Trade Commission, would you?

Mr. Lynn. Well, I would up to the extent of where I know that the report is not fair.

Mr. Riddick. Well, I understand that from your experience with the packers you have learned to have a good deal of confidence in them, after dealing with them for 15 years?

Mr. Lynn. I certainly have. So far as the packers having any control of the live-stock exchanges I do not think they have any.

Mr. Riddick. Do you feel that the producer of cattle always gets what his cattle are worth?

Mr. Lynn. No; not necessarily.

Mr. Riddick. Don't you believe this committee would accomplish a great deal for the benefit of the country if we could find some method to procure for the producer nearer what his cattle are worth?

Mr. Wilson. Do you mean something like the cost-plus proposition, Mr. Riddick?

Mr. Riddick. Well, I have not in mind definitely any particular proposition just now, but I think that is the real meat of this whole agitation against the packing industry—that the producers go to the market with their cattle and see the same kind of cattle selling on Monday at one price and on Tuesday at a different price; and at one price at 9 o'clock in the morning, and the same kind of cattle selling at a different price in the afternoon. And yet all the time those cattle were worth the same and there ought not to be these great market fluctuations.

Mr. Lynn. But they are not worth the same. In an hour's difference in time there is a difference in market conditions. There is a difference in market conditions, in the case of the man buying feeders, lots of times in 15 minutes.

Mr. Riddick. A market difference; yes. But not any difference in the cattle as between the times I have mentioned. I refer to the law of supply and demand, and if wheat is worth a dollar to-day it is worth that price all over the country, taking into account of the cost of transportation. Cattle may be worth 16 different prices on 16 different markets regardless of transportation conditions and depending altogether on the run in that particular market, perhaps, or to the outlet that those particular buyers have for cattle on that day.

Mr. LYNN. You can not compare wheat with live stock. You can buy wheat and put it into a car or elevator or some storage place and leave it there as long as you want to. You can not do that with live cattle. If you buy live cattle you have got to slaughter them or dispose of them in some way, as you do not want them to eat their heads off.

Mr. RIDDICK. We have found in the testimony that the packer will send a wire to a neighboring town suggesting that stock be bought on a certain basis—an artificial and arbitrary fixing of prices. It may be a raising of the natural price of that market or it may be a lowering of it, but the fact remains that the price is arbitrarily fixed in such a case.

Mr. LYNN. Well, he probably marketed those two bunches of cattle on different markets, but to be killed at the same place. Why shouldn't the man who buys the two bunches of cattle buy them at the same price?

Mr. RIDDICK. But the point is that the cattle were bought at a different price from the price paid for other cattle there, or that that price affected the other cattle. The fact is that the packers were arbitrarily fixing the price. I have sold cattle on markets for a good many years, and it seems to me that I have seen the price arbitrarily fixed, or fixed because of the local condition, regardless of the general law of supply and demand.

Mr. RAINEY. It was suggested the other day it would be an ideal situation if the shippers could have information in advance, so the markets would not become glutted. If this arrangement could be brought about it might stop fluctuation of prices.

Mr. RIDDICK. Well, there has been one very sensible effort made recently to benefit the producers of cattle: A rule was promulgated through the Railroad Administration, or some governmental authority, that cattle should be shipped from certain western points only on certain days, so that there might be enough cattle but not too many on the market. It occurs to me that if this committee, after getting all the evidence, could devise some plan that would benefit the producers without injuring anybody, it would be something constructive and very helpful in the general run of things.

Mr. BORDERS. That plan that you referred to was called the zone system.

Mr. LYNN. I want to say that this zone system worked injury to the producers. We could only ship cattle two days a week, and lots of times we wanted to ship every day.

The CHAIRMAN. Reference has been made here two or three times to members of this committee, which reference indicated that probably the person speaking thought the members were ignorant of conditions on the farm. Mr. Lynn, you appreciate that the members here are not on the witness stand, but that they are asking questions of you for information?

This is the Committee on Agriculture, and the members of this committee are either actual farmers or have knowledge of farming to a very great extent. But I do not think the members of this committee need any defense.

Mr. LYNN. I did not intend anything like that.

The Chairman. While I do not know the vocation or profession of all the members of this committee, I want to say that I have worked with them for some time, and that in the last 12 months this committee has considered, prepared, and reported to the House as many bills beneficial to the farmer as has been reported in the same period in any other Congress in the last 22 years that I have been a member of the committee.

Mr. McLaughlin of Nebraska. That is a fact.

The Chairman. I think that those who are familiar with the facts will agree with the statement. I do not think that the witness wants his statement to go out that this committee is endeavoring to do anything but the right thing by the farmers and producers of the country; I inferred from what you said a moment ago, Mr. Lynn, that you had some doubt about members of the committee possessing knowledge of conditions on the farm?

Mr. Rainey. Well, I do not think the witness intended——

The Chairman (continuing). As I have stated I do not know the vocation or profession of all the members of this committee, but whatever has been done, good or bad, with few exceptions has been done by unanimous action of the committee. Whether they are farmers or anything else does not matter in this committee, we have always worked together, and one member deserves just as much credit as another. Are there any further questions?

Mr. Voigt. I want to ask you a question or two. Mr. Lynn, you said that you started in the cattle business with a partner?

Mr. Lynn. Yes, sir.

Mr. Voigt. Are you still connected with that man?

Mr. Lynn. No, sir.

Mr. Voigt. Was that man a farmer?

Mr. Lynn. Yes, sir.

Mr. Voigt. Is he still a farmer?

Mr. Lynn. He is not living now. I was with him 12 or 13 years, and with his son for 3 years.

Mr. Voigt. Do you borrow considerable money in your operations?

Mr. Lynn. Yes, sir.

Mr. Voigt. Do you borrow from a cattle-loan bank?

Mr. Lynn. I never have borrowed a dollar from them.

Mr. Voigt. Do you borrow of a local bank?

Mr. Lynn. Yes, sir.

Mr. Voigt. At what point?

Mr. Lynn. At Tarkio, Mo.

Mr. Voigt. You have stated that this commission, if it were created by the Congress, would be composed of incompetent politicians. Do you want to leave that statement on the record as it stands?

Mr. Lynn. Yes, sir.

Mr. Voigt. You are satisfied that the members will be incompetent and that they will be politicians?

Mr. Lynn. Yes, sir.

Mr. Voigt. What leads you to believe that?

Mr. Lynn. Past history, to be right brief.

Mr. Voigt. Past history of what commission? Will you state any commission that you know of that consists of incompetent politicians?

Mr. LYNN. I am not acquainted with any commissions personally, but I will guarantee that they will be politicians.

Mr. VOIGT. You say that this proposed commission, if provided for, is going to consist of incompetent politicians; and you say that you base that statement on the past history of commissions. Well, now, will you give us a single instance in past history where you have observed a commission consisting of that class of men?

Mr. LYNN. I will tell you one thing, what I think our railway commission was incompetent about. It showed——

Mr. VOIGT (interposing). Do you mean the railway commission in your State?

Mr. LYNN. Yes, sir. I am not acquainted with any of the members of that commission, but to show you that they were incompetent and not farsighted, they established a rate on live stock in carloads from Tarkio to St. Joseph, a distance of 61 miles, at $16.40 a car. You could put in all you could jam in. It looked good to the farmer. It looked good to us. I put in just as many cattle as I could put in. It looked good to me, but it was a bad law. They could not do that without losing money. To-day we are paying up for that. The condition of our cars, of our track, and engines is losing us thousands of dollars to-day.

There was a train of 35 cars of cattle that came to Tarkio from Denver, and they were to have been in there Monday morning at 8 o'clock; they wired they would be there. They pulled in Tuesday afternoon about 4 o'clock, dragging along with an engine that was half shot and could hardly pull. They had another train along behind it shoving it.

Would it not have been better if we had been paying $25 a car all these years?

Mr. VOIGT. Do you blame any commission for the fact that that train came in late?

Mr. LYNN. I blame the commission for fixing the rates so low that they could not do business and keep up their equipment.

Mr. VOIGT. Did your railroad commission of Missouri fix the rate from Denver to Tarkio?

Mr. LYNN. I am not talking about the rate to Denver. These conditions happened on the same track with the very same equipment that had been hauling our stock to market too cheap.

Mr. VOIGT. You say you consider your own railroad administration incompetent, and you back that up by quoting this illustration of a carload or train load of cattle coming from Denver to Tarkio.

Mr. LYNN. This happened after they got on our division—this poor service.

Mr. VOIGT. Well, it did not happen, because your commission happened to make a local rate, did it?

Mr. LYNN. Indirectly that rate was to blame; the rate they made was to blame for that service.

Mr. VOIGT. Don't you know that the commission had nothing to do with establishing the rate from Denver to Tarkio?

Mr. LYNN. The rate they made years before on our shipments to St. Joe had something to do with the funds that that particular division had for keeping their equipment up.

Mr. VOIGT. Then you think that because a train somewhere in the United States is late, the fact that your railroad administration made a wrong rate on a local shipment has something to do with the lateness of that train? That is you argument.

Mr. LYNN. I am consistent in my statement.

Mr. VOIGT. Well, that is the extent of your consistency.

Mr. LYNN. That has all happened on the same road; on the same stretch of track.

Mr. VOIGT. Now, assume that this rate that you speak of was not right. Would you on that account convict the railroad administration of your State as being incompetent politicians?

Mr. LYNN. I would say they were incompetent in fixing that rate.

Mr. VOIGT. In that particular instance?

Mr. LYNN. Yes, sir.

Mr. VOIGT. But would you charge them as a whole with being incompetent officials? Would you abolish the railroad administration of your State if you had the power?

Mr. LYNN. I do not know whether I would or not.

Mr. VOIGT. There has got to be some one to perform their functions, has there not?

Mr. LYNN. I suppose so.

Mr. VOIGT. You do not know the men who compose that commission?

Mr. LYNN. No, sir. I would like to meet them; I would like to talk to them.

Mr. VOIGT. Do you not think you are somewhat unfair there in characterizing men you do not know as being incompetent politicians?

Mr. LYNN. I do not think so. I do not think that is unfair.

Mr.. VOIGT. What do you think about the Interstate Commerce Commission here at Washington?

Mr. LYNN. I do not know much about it.

Mr. VOIGT. Do you think they are made up of incompetent politicians?

Mr. LYNN. I do not know.

Mr. VOIGT. Well, you seem to think that every commission in this country, from your statement, is made up of incompetent politicians.

Mr. LYNN. I did not say that.

Mr. VOIGT. Well, you fear that the commission, if there is one appointed, will be incompetent?

Mr. LYNN. Yes, sir. I do not know where in the world you are going to get men big enough to handle an industry like the packing industry.

Mr. VOIGT. It is your opinion that this commission, if there is one appointed, is going to operate the packing industry.

Mr. LYNN. They will; yes. They will have such power over it that they will just the same as operate it—just the same as the railways were operated under Government control.

Mr. VOIGT. You think these men will have to know just as much as the packers about making sausage and killing hogs?

Mr. LYNN. Why shouldn't they, if they are at the head of it? If it is under a general commission, they certainly ought to know the business from the beginning to end, to know whether the producers and consumers and packers and everybody are getting a square deal.

Mr. VOIGT. Do you not think the men might be able to judge whether the producer is getting a square deal without knowing the details of the packing business?

Mr. LYNN. No, sir; I do not.

Mr. VOIGT. You think not?

Mr. LYNN. No, sir.

Mr. VOIGT. You think a man, to judge of that, would have to know how to make sausages, how to kill a hog, how to turn blood into some other product, etc.?

Mr. LYNN. I think if he knew that, he would be much better equipped.

Mr. VOIGT. What makes you think these men are going to be politicians?

Mr. LYNN. Is it not a fact that all commissions are composed of politicians?

Mr. VOIGT. I do not think so.

Mr. LYNN. Who is going to appoint this commission? I would like to ask you that?

Mr. VOIGT. Well, before I answer that I want to ask you do you understand that the Anderson bill provides for a commission?

Mr. LYNN. Yes, sir.

Mr. VOIGT. Well, you are mistaken about that. It does not. I suppose that if a commission is provided for it will be appointed, like all other commissions, by the President, with the approval of the Senate.

Do you know whether the Interstate Commerce Commission is composed of politicians?

Mr. LYNN. I do not.

Mr. VOIGT. Is the railroad commission of your State?

Mr. LYNN. I suppose so. Everything else is politics there; you can not get away from it.

Mr. VOIGT. You have not any confidence, apparently, in any men that are to be appointed by the President?

Mr. WILSON. Do not embarrass him. [Laughter.] Let me answer for him; I am not afraid.

Mr. VOIGT. Do you think that men who operated the railroads during the war were politicians?

Mr. LYNN. I never could understand why some of the most efficient railway men in the country were not allowed to take a prominent part in operating these roads, unless because they were not on the right path.

Mr. VOIGT. They were all practical railroad men, so far as you can find out, were they not?

Mr. WILSON. McAdoo, particularly?

Mr. VOIGT. I mean the men who had actual charge of the affairs.

Mr. WILSON. He had complete charge; they were all under him.

Mr. VOIGT. They were all practical railroad men?

Mr. LYNN. Please do not talk about the railroads under Government control.

Mr. VOIGT. It has been claimed by the Federal Trade Commission that there is an agreement among the packers to divide up the purchases of live stock in the country on a given percentage.

Mr. LYNN. They have never proved that.

Mr. VOIGT. Well, some claim it is proven, and some claim it is not.

Mr. LYNN. Well, that is a matter that is left to personal opinion.

Mr. VOIGT. Assuming that there is such an agreement among the packers, do you think that would be for your interest as a producer?

Mr. LYNN. If there was such an agreement I do not think it would be to my interest. But I have done enough business, I have sold enough cattle, to know that there is no such agreement with the packers. I am fully convinced of that.

Mr. VOIGT. I assume that you, as one individual, are thoroughly satisfied that there is no such agreement. Suppose that you were told that statistics showed that these five packers for a long period of years each bought a given percentage of all the live stock bought by the packers; that is, suppose you were told that Swift had bought for the last 15 or 20 years, say, 33 per cent of all the live stock shipped to the five packers; that Armour had bought during all those years, say, 29 or 30 per cent, and the other packers a given per cent, and that that percentage over a period of 20 years had never varied. Would that arouse any suspicion in your mind?

Mr. LYNN. No; it would not, because I know that Swift's plants have the capacity to handle more business than Armour's.

Mr. VOIGT. They all have more capacity in case of a pinch than they do business, have they not?

Mr. LYNN. I do not know about that; I think they can only handle about so many cattle.

Mr. VOIGT. Well, let me ask you this question: You know that at certain times there is what they call a glut in the market?

Mr. LYNN. Yes, sir. Those are the times I like to buy feeders.

Mr. VOIGT. And other times there is a scarcity?

Mr. LYNN. Yes, sir.

Mr. VOIGT. Let us assume a condition where in a given week there is four times as much live stock shipped to Chicago as in some other week. Would it not surprise you to find that each of these packers had bought that given percentage when the market was full as well as when there was a scarcity?

Mr. LYNN. No; that would not surprise me.

Mr. VOIGT. Do you know of any two, three, or four, or five business people in this country that have maintained toward each other for a long period of years exactly the same ratio of business?

Mr. LYNN. I never had any experience with any other of the big industries.

Mr. VOIGT. Do you think there are any such industries?

Mr. LYNN. Yes; I do.

Mr. VOIGT. Can you name some of them?

Mr. LYNN. I think the people we buy our clothes from are a good deal more closely linked together than the packers ever thought of being.

Mr. VOIGT. You think that is the result of some understanding?

Mr. LYNN. Well, I do not know that I would say they have an understanding.

Mr. VOIGT. Do you think you could find a manufacturer of clothing in this country who had for a long period of years put out just exactly the same percentage of clothing?

Mr. LYNN. I suppose there are industries that manufacture the same each year.

Mr. VOIGT. Do you think you could point them out?

Mr. LYNN. I can not point them out; no.

Mr. VOIGT. Do you know of any two or three business men in your home town that have maintained toward each other, so far as business is concerned, exactly the same relation for a period of 10 years?

Mr. LYNN. Not positively.

Mr. VOIGT. Well, do you know of any where you think that is the case?

Mr. LYNN. I know of some where I think that is the case, but I have no proof. I am satisfied in my own mind that that is the case. but I have no proof of any such thing.

Mr. VOIGT. Then the fact that these men have done business on this given percentage over a long period of years and stood exactly still would not make any impression on your mind?

Mr. LYNN. I do not think it made a bit of difference in the price of their goods, even if——

Mr. VOIGT (interposing). Well, I did not ask you that. I asked you whether the fact that they did stand still on these percentages would make any impression on your mind?

Mr. LYNN. No; it has not.

Mr. VOIGT. Well, you do not look at it in the same way as Mr. Weld, who is an expert for Swift & Co.? He said yesterday, on the stand here, that it was a very remarkable fact. He did not admit that there was anything wrong about it, but he said it was a very remarkable fact.

Mr. WILSON. Mr. Lynn, I suppose, does not qualify as an economic expert, like Mr. Weld.

Mr. VOIGT. No. I do not think a man needs to be an economic expert to pass judgment on that proposition.

The CHAIRMAN. Mr. Rainey, have you other witnesses to-day?

Mr. RAINEY. Three others are waiting.

The CHAIRMAN. They want to get away?

Mr. RAINEY. Yes, sir.

The CHAIRMAN. Mr. Lynn, how much longer will it take you?

Mr. LYNN. I am through now.

Mr. RAINEY. The remark of the chairman with reference to a suggestion you offered that might be considered a reflection on the committee, you did not know we have a number of farmers on this committee who are familiar with live stock, and when you offered that criticism you had no idea of reflecting on the members of this committee, had you?

Mr. LYNN. I had no such intention whatever.

Mr. RAINEY. I felt sure of that.

Mr. LYNN. I felt like I was a farmer here and none of you knew my business.

Mr. MCLAUGHLIN of Nebraska. A good many of us are farmers here, and we sympathize with you.

Mr. LYNN. I thought that if you were farmers and could look at it the way I do you would see it the same way. I certainly want to apologize if I have said anything that was discourteous.

Mr. RAINEY. There is no apology necessary. I want the committee to understand your attitude.

The chairman asked Mr. Lynn to give his idea of the Federal Live Stock Commission, and he answered he was not a lawyer and not familiar with it. I will insert in the record—I shall not read it—an analysis of the bill creating a Federal live-stock commission, pre-

pared by the Institute of American Meat Packers. I think it would be apropos at this time and be of help to the members of the committee.

(The document referred to is here printed in full, as follows:)

ANALYSIS OF THE BILL (S. 3944) CREATING A FEDERAL LIVE-STOCK COMMISSION AND STATEMENT ON BEHALF OF THE PACKING INDUSTRY, BY THE INSTITUTE OF AMERICAN MEAT PACKERS.

As this proposed legislation involves not only the so-called five big packers but the packing industry as a whole, it is deemed proper and appropriate that the Institute of American Meat Packers, on behalf of the 200 packers constituting its membership, should submit to Congress and the American people the following analysis of the bill and statement on the subject. A copy of the bill follows this analysis and statement.

I. IT IS CLASS LEGISLATION.

The bill is limited in its application to a single industry. It, therefore, constitutes an attempt, by special legislation, to impose burdens and restrictions upon one class of business enterprises from which all others remain free. There is nothing in the meat-packing business which would justify its being singled out and made the subject of special and separate legislation. If the things forbidden to be done by meat packers are wrongful in their nature, or injurious to the general public, they are, of course, no less so when done by wholesale grocers or others engaged extensively in the handling of other food products or articles of prime necessity in interstate commerce. It is contrary to the principles of free government to single out particular individuals or particular business enterprises from all others similarly situated for the purpose of granting special privileges; and it is no less violative of these principles to impose upon such selected individuals or enterprises special burdens or restrictions. Any statute which attempts this constitutes class legislation of a most obnoxious character violative of the principle of equality, which lies at the very foundation of our governmental system.

II. INVOLVES DUPLICATION OF GOVERNMENT AGENCIES.

The bill by creating a live-stock commission, and imposing duties upon it, now to a very great extent discharged by the Federal Trade Commission and the Bureau of Markets, makes an unnecessary and expensive duplication of governmental agencies. (See secs. 5 and 6 of the bill.) Moreover, this bill declares unfair and deceptive practices and devices to be unlawful while the Trade Commission act makes unfair methods of competition unlawful. These provisions will certainly bring about conflicts of jurisdiction and more or less overlapping of authority. Cases may readily be imagined over which both the Trade Commission and the live-stock commission very legitimately assert jurisdiction; and conflicting decisions in similar cases are almost sure to result. Under these circumstances, which would control? Why inject that great element of uncertainty into legislation concerning business? This at least would not tend to encourage the investment of capital in American enterprises, for the present Federal Trade Commission act, authorizing a commission to investigate business, is quite uncertain and burdensome enough without adding further uncertainty thereto by creating conflicts of jurisdiction.

The proposed commission is a further extension of the unfortunate tendency to create administrative boards for the control and direction of all sorts of business activities. This commission, like every other ever created, will be anxious to extend its own power and jurisdiction. Power feeds upon power. The number of its employees, and the size of its pay roll will be constantly augmented, and the additional cost to the Government will, in the course of a little time, run into millions of dollars. This has been the case with every bureau and every commission which has ever been created.

The provisions of this bill applied to the regulation and control of private business generally would reduce the American people to a condition of tutelage like that of the American Indian.

III. SUBSTITUTES A GOVERNMENT OF MEN FOR A GOVERNMENT OF LAWS.

The proposed legislation is fundamentally bad in that it creates a commission of men who are empowered to make rules, having the force of law, governing the conduct and operations of private business, and therefore substitutes a government of men for a government of laws. These rules are not safeguarded by careful limitation as in the case of the interstate commerce act. For example, it is provided in section 15 that the commission may by rules, regulations, and orders regulate and control the relations, whether direct or indirect, of packers or operators in the purchase, manufacture, storage, or sale in commerce of foodstuffs, etc., and may require any packer or operator to refrain from direct or indirect participation therein. The character and extent of the rules are therefore left to the unlimited and unbridled discretion of the commission, thus conferring upon a mere administrative agency unlimited powers of legislation over the subject matter.

The proponents of this bill would compare it with the bill creating the Interstate Commerce Commission. There is no more similarity between these two bills than there is between day and night. Outside of the marked difference in the regulations themselves, one deals with the question of transportation and rates of a common carrier while the other deals with business control and management of a private industrial and commercial business.

This bill has also been likened by its authors to the inspection and regulation of national banks. There is no analogy. Banks deal alone with money and credits and the control is merely as to reserves and loans. Banks are merely fiduciaries of other people's money; packing companies are not fiduciaries, but are manufacturing and merchandizing institutions investing their own funds in live stock, manufacturing same into products of a highly perishable nature and taking all the risk of disposing of it and suffering all the hazards of such a business.

Whatever value one may put upon these analogies, it must be remembered that all business is essential to the public weal, the shoemaker as well as the steel manufacturer is necessary to the proper functioning of our economic organization. If the fact of the importance of any business to the public is to determine whether it shall be regulated as a public utility, independently of all other considerations, then all business should be subjected to the supervision of a commission or bureau, and sooner or later will be.

The meat-packing business is of great importance to the public, but it can not be considered a public utility, because it is a private manufacturing and merchandizing business, buying and selling perishable articles every day at fluctuating prices.

This bill if enacted into law means bureaucratic government for the packing business. It means much more; it means bureaucratic government for all large business and ultimately for all business, because all business is of public importance, and as now the entire packing industry, large and small, is to be regulated, so later every other industry will be regulated.

This country is now standing at the parting of the ways. Are we to have a Government of general laws or of rules and regulations issued by bureaus?

IV. DANGEROUS PRECEDENT.

If this form of legislation is sound and wise for the packing business, then it must be sound and wise for other business. The creation of an expensive commission to deal with a single kind of business will constitute a precedent for the future creation of other commissions to deal with other selected industries. It is merely the entering wedge for similar regulation of all private business engaged in interstate commerce, and will be a long step in the direction of the nationalization or socialization of all private industry.

V. UN-AMERICAN.

This bill is heading in the direction of paternalism and Government operation. It strikes at individual initiative and personal ambition, which in the past have been the developing genius of American business. The conduct of private business is not a governmental function and governmental operation or control of private business is contrary to the history of this country and everything that has contributed to its greatness.

VI. VOID FOR UNCERTAINTY.

Section 12 provides that it shall be unlawful for any packer "to engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce." No definition is given of any of these descriptive words. It is left entirely for the commission to determine according to its judgment, opinion, taste, whim or caprice, what under any given circumstances, may constitute a "practice" or "device" of the kind inhibited. The words "unfair practice or device or deceptive practice or device" are words of the vaguest and most general character. No business man will be able to tell in advance what acts will fall within the prohibitions of the law. It is of the very essence of good government that a citizen shall be informed by general law in advance what he may, and what he may not do, so that he may govern his conduct accordingly, and such law should be of general application and not directed at a limited group of individuals.

Under this bill a citizen will never know whether his acts in a given case are unlawful until the commission has, in effect, legislated upon the question. It is not even obliged to legislate in any general or permanent form. It may deal with each case as it arises. The persons affected will not be able to ascertain from an examination of the law, in advance, what they are forbidden to do, but must wait until they have acted, and acted at their peril, to ascertain what the commission thinks about it; and this determination of the commission will be in effect a retroactive law, and, at the same time, a decree of guilt under the law. It is impossible to imagine a more hopeless tangle of administrative, legislative, and judicial powers in the same body.

VII. UNDULY LIMITS ACTIVITIES OF PACKERS.

Under subdivision (c) of section 12, it is made unlawful to deal, either directly or indirectly, in foodstuffs other than live-stock products, "where the effect of such participation in such business may be substantially to lessen competition in or to restrain commerce or tend to create a monopoly in commerce in any line of foodstuffs." The original plan of the proponents of this bill was to put the packers out of all activities except the handling of meats and meat-food products, through the license system. This was openly asserted. But when such an antagonism was developed in Congress to any form of license law this provision suggested itself as an effective substitute. Consequently, it becomes of the greatest importance to ascertain where the interests of the people are on this precise question.

The decree in the Government case enjoins the manufacture and distribution of groceries and certain other products and commodities, but permits the handling of poultry, butter, eggs, and cheese. The right is reserved to the Government, however, to proceed against these companies in relation to the latter businesses if it shall develop that their conduct constitutes a violation of existing law.

The packing houses are very wisely located in the West, near the source of production, thus saving the producer both freight and shrink, and at the same time obviating the necessity and expense of shipping the entire meat animal to the great consuming centers on the Atlantic seaboard. The efficient distributing system of the packers, the refrigerator car and the branch house, are required to transport and distribute the meat a thousand miles, and more, from the packing houses. Because poultry, butter, eggs, and cheese require refrigeration, the packers can economically handle them—in fact have very largely developed these businesses and this has been in the interest of the entire public. If the organization of the packers is not kept fully employed, as it can not be without dealing in poultry, butter, eggs, and cheese, then there will be a great economic loss that some one must stand.

Of course, it is to the selfish interest of the men in these businesses that the packer competition be eliminated, and as the larger packers have yielded to the views of the Government as to wholesale groceries this is regarded as the psychological moment to drive the packers out of the business of poultry, butter, eggs, and cheese. A bill to eliminate the packers as competitors in these businesses should have the most careful thought and disinterested consideration.

If the packer is driven out of the business of handling poultry, butter, eggs, and cheese, higher prices will necessarily result to the consumer, because the elimination of packer competition will tend to create a monopoly in these lines. Besides, the elimination of the handling of these products by the packer will burden the meat business of the packer with the entire cost of operating his distributing organization, hitherto partially borne by poultry, butter, eggs, and cheese, so that it must be self-evident that the price of meat will be increased or the price of the live-meat animal decreased. In either case this must ultimately increase the cost of meat to the consumer.

The fact that the overhead charges now distributed over the entire business would be concentrated upon meat alone, if the packers are to be deprived of the privilege of handling poultry, butter, eggs, and cheese, can not be lost sight of. In view of this situation it must be clear that the plan provided by the governmental decree should be fully tried out before any change is adopted by legislation which will greatly affect the prices of meats and live stock.

The packers have been the pioneers and the most potential, if not the supreme factors, in changing the distribution of these products from a seasonal business to one extending throughout the year; they have literally made it possible for the South to have cheese the year round. The packers have, and want, no undue advantage in handling these commodities through their refrigerator cars. The railroad legislation recently enacted requires railroad companies to furnish to all shippers refrigerator cars upon equal terms. The question of rates, and the handling of these commodities by the packers in their own cars have been, and are, within the jurisdiction and complete control of the Interstate Commerce Commission. Therefore, there can be no necessity for any legislation on account of the cars or refrigeration.

VIII. CONFERS LEGISLATIVE POWERS ON COMMISSION.

This same subdivision of section 12, while in terms making it unlawful to deal in foodstuffs other than live-stock products, where the effect is to lessen competition, etc., really puts it in the power of the commission to limit competition and allow the monopolization of particular businesses in the hands of a favored few, and to parcel out business of this character among American citizens. The commission is empowered to determine these questions without reference to any judicial or legislative standard. Whether or not in any given case the forbidden dealing may result in lessening competition or may tend to create a monopoly is essentially a judicial question and should be left to the courts. To vest such a power in an executive board is of doubtful constitutionality, but, if valid, is filled with the most dangerous possibilities. Whether the act of dealing in foodstuffs will have the effect of lessening competition will be dependent upon almost an infinite variety of circumstances. For example, if the supply happens to be greatly limited, a very slight interference may lessen competition in a perfectly legitimate way. If, on the other hand, there is an abundant or a large oversupply, very great interference would have little or no effect upon competition. The provision in question makes the unlawfulness of the dealing to depend not upon any fraud or improper conduct, but wholly upon the effect, however innocent the participant may be of causing or desiring the effect, and even if the effect is one which neither the dealer nor any other person could, by any foresight or stretch of wisdom, have anticipated. Such a provision ignores every element which distinguishes innocence from wrongdoing.

IX. STOCKYARDS.

Under the decree in the Government case, all of the defendants must sell their interests in stockyards under a plan to be submitted to and approved by the court, and this plan is now being prepared. Section 13 authorizes the commission, after two years from the date of the act, to determine whether or not an extension of time shall be given to dispose of stockyard interests. The decree already referred to expressly provides that this question of the extension of time shall be determined by the court on application. The effect of this section is, therefore, to introduce an element of great confusion. If such an application should ever become necessary, the question will at once and necessarily arise as to the relative authority of the court and the commission in the premises. If the application be made in court and an extension granted, will the defendant or defendants be subject to the penalties of the law because no application has been made to the commission? If the application be made to both and the court allows an extension, and the commission denies it, which will control?

This bill presents a very singular situation as to stockyards. For many years it has been charged that through their interest in stockyards the larger packers have controlled the desirable locations for packing plants at such yards, to the detriment of the smaller packers. The Government decree requires the larger packers to dispose of their present holdings in stockyards and restrains them from ever acquiring any such interest in the future, but does not deprive the smaller packers of this advantage, if there has ever been any advantage in this situation. This bill would take away the advantage which the smaller packers now enjoy under the decree, for the bill embraces the small as well as the large packers. Either this charge is and always was erroneous or the advocates of this bill are not sincere in wanting to encourage the advantage, growth, and development of the smaller packer.

X. UNLAWFULLY AUTHORIZES COMMISSION TO FIX PRICES.

Section 14 prohibits, among other things, an operator (which is defined in the bill to mean stockyard companies and commission men) charging any unreasonable rate or price in connection with its business. The effect of this is, of course, to give the commission power to determine not only rates for services rendered but prices of any commodity sold by the operator, a power hitherto, except in time of war, never given to any governmental authority. Grave objections, both economic and constitutional, may be urged against the provision. In one aspect the business of a stockyard's operator is charged with a public interest, but in so far as it has to do with the sale of feed, for example, it is like any other private business, and it would seem no more subject to the authority of Congress to fix prices at which it shall sell commodities than a feed or grocery store or any other private business carried on within the limits of a State.

If this provision is enacted into law it will encourage general price fixing of other commodities, including live stock, cotton, grain, and other commodities as well as manufactured products, which undoubtedly is not in the interest of the public.

XI. AUTOCRATIC AND ARBITRARY POWER IS GIVEN TO THE COMMISSION TO LIMIT BUSINESS.

Section 15 empowers the commission to require packers and operators to refrain altogether from dealing in foodstuffs, without the slightest reference to the effect of such dealing upon competitors or the general public, and even though such dealings might, in fact, be advantageous to the general public. The effect is to confer autocratic and arbitrary power on the commission and, in effect, to authorize it to make and unmake law at its unrestricted pleasure. It is difficult to imagine a provision more calculated to establish a petty and vexatious depotism. The packer or operator would be subject to the absolute and unlimited will of the commission, which, under the literal terms of the provision, would be authorized, with or without reason, to allow or forbid his participation in a business which might be not only perfectly legitimate but a great public benefit.

XII. AUTHORIZES UNLAWFUL SEARCH AND SEIZURE.

Section 17 compels the packer or operator, at the request of an officer or agent of the Government designated under the act, to produce any books, papers, records, or correspondence in his possession or under his control relating to any matter authorized to be investigated. It will be seen that the information sought may have nothing whatever to do with a pending case, or with the question of interstate commerce. It would seem to be unnecessary to say that such a provision is utterly invalid as authorizing an unlawful search and seizure in violation of the fourteenth amendment to the Constitution. (See In re Pacific Railway Commission, 32 Fed. Rept., 241, where the cases are collected and applied. See also Hale *v.* Henkel, 201 U. S., 75; 232 U. S., 391; Harriman *v.* Interstate Commerce Commission, 211 U. S., 407.)

XIII. SO-CALLED VOLUNTARY REGISTRATION IS IN FACT COMPULSORY.

The provision entitled "Voluntary registration of packers and stockyards" is thoroughly disingenuous. While in form it may be regarded as permissive, it will become, in fact, compulsory because it gives opportunity for gross favoritism to those who register, and all sorts of discrimination against those who do not, and whether a packer registers or not he will come within the general provisions of the act and be governed thereby.

XIV. SECTION 25.

The original Kendrick and Kenyon bills required the packer to take out a license. Under this bill provision is made for the packer to "register," and if he registers, which the commission may be trusted to find a way to compel, he must accept the following drastic and unreasonable conditions. The fact is that the difference between license under the original bills and registration under this bill, for all practical purposes, is more imaginary than real.

(*a*) *Gives the commission power to determine whether the plant and facilities of registrant are "suitable" and "adequate."*—Subdivision (a) (1) provides that the commission may determine whether "the location, character, and extent of grounds, buildings, and other facilities provided are found suitable and adequate for the proper conduct of the business." What a field for favoritism. Just contemplate what damage an inexperienced political appointee could honestly do in determining whether the "location, character, and extent of grounds, buildings, and other facilities are suitable and adequate." Then his successor might determine that the same buildings were not "suitable" or "adequate." Some one must pay for the added cost and expense brought about by Government supervision of, and interference with, private business. Can this sort of legislation encourage the youth of this land to go into this business? Is this country ready for this sort of governmental interference in private business? If this bill is written in the statute books, it will be the entering wedge for this same kind of legislation in all business.

(*b*) *The commission may pass on the financial standing of the registrant.*—Subdivision (a) (2) provides that the commission may also pass "on the financial resources, credit, and standing" of the registrant and determine whether they are "sufficient to assure the safe conduct of the business." The commission might determine that in a given case the finances of the registrant were entirely sufficient and another commission on the same state of facts might determine they were not. What is the measuring stick? The same as in all of these questions, not law, but the judgment of a changing commission. The provision obviously gives opportunity for oppression and favoritism, even to the extent of preventing applicants from registration. There is not even any provision for appeal as to either of these provisions.

(*c*) *The registrant must agree in advance to comply with and abide by the rules and regulations of the commission even if they are unreasonable and illegal.*—Subdivision (a) (3) is even more onerous and unfair than the two preceding because it makes the applicant agree "as a condition to the granting of the certificate" that he "will comply with and abide by the rules, regulations, and orders" made by the commission, and that whether they are reasonable or unreasonable, legal or illegal. Pretty drastic, to say the least!

(*d*) *The commission may standardize the grounds, plants, and facilities of registrants.*—The most ludicrous and yet fraught with great possibility of harm, is subdivision (d) (1), which provides that the commission may prepare "standardized plans and specifications for grounds, buildings, and other facilities." "Standardized" in what particular or to what exent? The bridle is off. There is no limitation.

(*e*) *The registrant must permit his competitors to use his plant and facilities.*—Subdivision (b) (2) requires the registrant to furnish the services and facilities of its business to persons applying for the same, and requires the setting aside of such portion thereof as the commission may determine to be necesary to accommodate the small shippers and local patrons. This would compel the packer to furnish the facilities of his business to his competitors. The wrong and injustice that might be done through this powerful weapon can be readily imagined. It requires no argument to show that a person engaged in buying and selling commodities can not, by law, be compelled to turn over to a competitor his storerooms and his own facilities for carrying on business. What would be thought of a law which would compel a dealer in groceries to furnish a portion of his shop for the use of another who desired to go into business in competition with him, or a ranchman to set aside a portion of his pasture for his competing neighbor? But this is precisely the underlying principle of this bill. This may not exactly be socialism, but it is a long stride in that direction.

(f) *Perversion of inquisitorial powers.*—Under the visitorial and inquisitorial powers of the commission the packers may be required to furnish all details of their business, including their secret processes and laboratory discoveries for improving the art and science of the industry. Likewise all processes and trade secrets in relation to new compounds and the art of preserving food products may be demanded.

Under subdivision (*d*) (2) the commission is required to furnish to all registrants all such information. Thus it will be seen that the packers who maintain at large expense chemical laboratories and experts will be required to disclose all their discoveries for the free use and benefit of their competitors, including those who do nothing to advance the art and science of the industry. This provision will discourage the future maintenance of such departments and will destroy all initiative and incentive in the further development of food products and the utilization of by-products. Moreover, it is manifestly unfair and unjust to set up a governmental agency with power to compel the disclosure of trade secrets wrought out at great labor and expense and furnish them to competitors who are not enterprising enough to conduct their own system of research. The packers may be required to furnish all such information whether they voluntarily register or not, while the commission is required to furnish the information so collected only to those who do register.

(g) *Duplicates the Federal inspection act.*—Subdivision (*d*) (5) provides for "the inspection by agents of the commission of the live stock, live-stock products, or perishable foodstuffs received or distributed by such registrant to determine the quality, quantity, or condition thereof." This can only mean double inspection, which would necessarily mean tremendous expense to the already expensive inspection act. This is unthinkable. The opportunity for clash and conflict between the two classes of inspectors is great. Why two inspections? It has never been hinted from any quarter that the present inspection act was either inadequate or unsatisfactory.

The objections to this provision are not removed because it is provided that such inspection is only made "when requested" by the registrant, because this same clause further provides that "such certificates shall be accepted in the courts of the United States and of the States as prima facie evidence of the quality, quantity, or condition at the time and place of inspection of the live stock, live-stock products, or perishable foodstuffs covered thereby," which goes far beyond the present food-inspection act in that regard. This alone is a great inducement to the packer to register, in order to get the benefit in court of this certificate, and when a few packers register then all must register in self-defense.

This far-reaching provision will illustrate to what extent a commission of this sort would go, and at the same time demonstrates that the bill involves vastly more than merely supervisory powers, as its advocates would imply.

(*h*) *Commission may prescribe the "conditions" under which the registrant may purchase all products handled by him.*—Subdivision (*e*) provides that the commission may, by its "rules, regulations, and orders," prescribe the "conditions" under which the registrant may "take title to any products handled by such registrant." What are the limitations under this provision and what construction is to be placed on this word "conditions"? Might not the commission say that one of the "conditions" would be to pay a reasonable price for such products, including live stock, and then determine what was a reasonable price? It is difficult to imagine what a commission might not do undes such a broad and indefinite authority. It would certainly be construed liberally by the commission in favor of its own power.

What a chance for favoritism in imposing "condictons," for a certain condition might be entirely reasonable for one company in its situation and yet extremely burdensome to another company situated differently.

(*i*) *The certificate of registration may be revoked for any violation of section 5 or of any rule, regulation, or order issued by the commission.*—This matter is placed entirely in the hands of the commission and would make the registrant whose certificate is revoked persona non grata with the commission, and "his last state would be worse than his first."

These provisions certainly bring home the conclusion that if there is any evil or wrong to correct, the remedy should come through general laws and not rest with the whims or caprice of a Government bureau.

If any person will simply take the time to read section 25 carefully, he will not be misled by the argument that this is a harmless little bill and is similar to the provisions of the national banking act or the interstate commerce act. It gives a clear example of where governmental interference with and control of private business will lead if encouraged or if given half a chance to get a foothold in this country. It is a serious thing to contemplate what would really happen to successful businesses in this country if put under control of inexperienced political appointees. Governmental interference and meddling would reduce the efficiency of this industry, surround it with uncommercial restrictions and red tape, which would necessarily result in higher costs and poorer service to the people.

XV. ALL PACKERS, WHETHER REGISTERED OR NOT, ARE SUBJECT TO THE RULES AND REGULATIONS OF THE COMMISSION.

No one need be deceived by the provision for "voluntary registration." Whether the commission could find a way to force all packers to register under section 25 is of no consequence. In fact, it is wholly immaterial whether all or none register. The iron rule of this all-powerful commission would be just the same.

Section 10 of the bill provides that "the commission may make such rules, regulations, and orders as may be necessary to carry out the provisions of this act."

Of course, the commission would be the sole judge as to the necessity of such rules and regulations.

Section 15 provides that "it shall be the duty of every packer and operator to comply with the provisions of this act and the rules, regulations, and orders which the commission may, from time to time, prescribe in conformity with this act."

These two provisions make it perfectly clear that the clause as to voluntary registration is pure "camouflage." These two sections alone make this as bad a bill as any license bill that was ever drawn.

It is not fair to create the impression that this bill is merely supervisory, for there is absolutely no limitation on the commission as to the rules and regulations it may adopt, and such rules and regulations would control and govern all packers, whether registered or not. The English language could give the commission no greater latitude or power in that direction. This is not a supervisory bill, but is the most drastic regulatory bill imaginable.

In that connection we would call attention to the fact that the bill does not provide any qualifications whatever as to the personnel of the commission. It will be observed from section 3 that the members of the commission may all be from one party, one business, or one profession; all or none may be producers; and although this commission is to direct the operations of this great, complex, and highly specialized industry, still the bill provides that no packer can be a member of the commission.

This squarely presents the question whether Congress is ready to turn over this complex and vital industry to a bureau of unrestricted power, but without any technical knowledge of the industry, establishing at the same time a dangerous precedent for all business.

It may be safely predicted that if this bill is enacted into law the very first "rule" promulgated by the commission will be that all packers doing an interstate business must register, and that instant the matter of registration will cease to be optional and will become compulsory.

XVI. COURT REVIEW TOO NARROW.

Section 20 requires that the notice shall specify the alleged violation. It does not, however, provide that this be specified in any detail as to time, place, or the items covered. Then, if upon such hearing, the commission finds the packer "has violated any provision," the commission's order is entered. The right of appeal provides that no order of the commission shall be modified or set aside by the court unless it is shown that it is "unsupported by evidence." This practically prohibits the court from taking additional evidence. The finding may be wholly contrary to the weight of the evidence. The trial should be de novo, or at least the findings should be given no more than prima facie effect.

XVII. THE REAL ISSUE.

A small active minority of the producers of this country have openly and consistently claimed credit not only for the investigation of the packers by the Federal Trade Commission, its report and recommendations, but also for the agitation which has resulted in this bill. These men have made the serious mistake of assuming that the packers could control the law of supply and demand in the sale of fresh meats and also the price to be paid for the live animal. regardless of market conditions and particularly of live-stock receipts, although the producers, and not the packers, have been responsible for the disastrous "fluctuations" in live-stock receipts in the past. Some of them have openly advocated that the producer should be paid cost-plus profit regardless of conditions.

In view of this situation, and particularly the fact that the bill makes it possible for all members of the commission to be producers and impossible for any member to be a packer, we would respectfully call to the attention of Congress the printed records of the annual meetings of the American National Livestock Association since the year 1914, and particularly to excerpts therefrom read into the hearing before the Senate Agricultural Committee on September 8, 1919, and to be found on page 1376, part 2, of the hearings on Senate bills 2199 and 2202.

If cost-plus profit is to be given to the producer, then it should also be given to the packer; but in that event why not come to that principle of legislation directly and avoid the expense of an inefficient bureau, which is bad from every standpoint?

To clothe any governmental agency with power to name the conditions under which live stock or any other product may be purchased, as this bill provides, and at the same time to vest it with the discretion of deciding whether the packers' activities in other lines shall be limited or prohibited, places in the hands of the commission the club by means of which it could compel obedience to its orders, and if so inclined could in effect establish the principle of cost-plus profit.

It is only fair to say that the congressional hearings have clearly demonstrated that the majority of substantial producers are not in sympathy with this proposed legislation or the agitation which has seriously injured not only this industry but the producer and consumer as well.

XVIII. FEDERAL DECREE IN GOVERNMENT CASE.

During the last few years a very unfair and unjust propaganda has been systematically carried on against the packers. The center of this attack on behalf of the producers was the stockyards, the charge being that the producer should have the opportunity of selling his live stock in a market in which the buyer of his stock had no ownership. The center of the attack on behalf of the consuming public was that the packers were handling so-called unrelated lines, principally groceries, and were thus threatening to monopolize the American table. While insisting that they were legally and economically justified in engaging in such activities, the packers met this created public opinion and the demands of the Government by consenting to a decree of court, which has just been entered in the Supreme Court of the District of Columbia, by which the defendants are required, under the order and approval of the court, to dispose of their present holdings in stockyards and railroad terminals, and perpetually enjoining and restraining them from ever acquiring any such interests in the future; and the packing companies are likewise required to dispose of all groceries and certain other lines and are perpetually enjoined and restrained from again engaging in such businesses.

Good sense as well as common fairness demands, therefore, that this decree at least be given a fair trial before legislation is enacted on the same subject. This bill undertakes to deal with precisely the questions which are embodied within the decree.

Eliminating from consideration the question, whether the packers wisely met the demands of the Government and gave up businesses which they had a perfect legal and moral right to conduct; and also the effect upon business generally in thus meeting and complying with public opinion, under no circumstances should this situation be taken advantage of, against the public interest, to deprive the packers of additional acitvities.

The decree is against the so-called five large packers, their officers and principal stockholders, there being 86 corporation defendants and 50 individual defendants. The decree does not include the smaller packers. The Federal Trade Commission, in its printed report to the President of the United States, says that all packers outside of the five large packers exist by "sufferance" of these five. If the purpose of Congress is to encourage the growth and development of the smaller packers, why take away from them the advantage which they will enjoy through the above decree? Under the decree, the five larger packers are perpetually enjoined and restrained from engaging in certain activities which are left free to the smaller packers. Now, this bill takes away that advantage by making its provisions apply to all packers. There is no consistency between this bill and the desire to encourage growth and development of the smaller packers.

It is an undeniable fact that this decree accomplished many things that could not have been achieved either by legislation or contested litigation; for the defendants through this decree gave up certain properties and businesses of which they could not have been deprived except by consent. Under these circumstances if the packers are not to be commended, they at least should not be penalized for making this adjustment with the Government.

XIX. SOME PLAIN FACTS ABOUT THE PACKING INDUSTRY.

No other industry is more intimately related to the welfare of all the people than the packing industry, because it deals with a prime necessity of life—food.

It buys its raw material, the live-meat animal, from millions of producers, who want high prices, and sells to the consumers, more than 100,000,000 people, who want low prices; and there can not be cheap meat on the table of the consumer when the packer pays high prices for the live-meat animal.

In addition to that the packer is dealing with a highly perishable product which must be sold within a very few days after its arrival at destination. The people often overlook the fact that meat can not be handled or sold like cloth, shoes, farming implements, or other staples which may lie on the shelf until a customer comes along who is willing to pay the price marked on the goods. The Supreme Court of the United States has clearly recognized this distinction.

If the packer does his work of transmuting the live animals into human food and then distributes and sells this food efficiently and at a reasonable profit, he is doing a most valuable work for every man, woman, and child in this Nation. That the profit of the packer is the lowest made by any great basic industry has been clearly demonstrated, and to destroy or seriously impair the efficiency of the packing industry would be gravely injurious to every man, woman, and child in this country.

The large packer is absolutely essential in the manufacture and distribution of meat products. Packing houses are located in the West near the source of production, thus saving the producer shrink and freight. But the finished product must be shipped great distances—in many instances more than 1,000 miles—and this requires large investments in refrigerator cars and branch houses. It is necessary to keep the meat moving from the packing plant so that the packers may buy the animals offered daily on the great live-stock markets, and this also requires enormous capital. In addition, the large packing companies are necessary to fully utilize the by-products, thus keeping down the price of meat to the public.

During the war the Government encouraged production and discouraged the consumption of meat. The demoralized condition of foreign exchange and other causes now prevent the shipment of meat to Europe, which loss reacts on the packer, the producer, and American labor.

On account of the constant agitation against the packers during the last few years, and particularly the charge that the large packers threatened a monopoly of the American table, and in order to assure the American people that there was no danger or possibility of a food monopoly and through a sincere desire to do away with the agitation that hurts not only this industry but the producer and consumer as well, and to the end that conditions might against become normal in this period of reconstruction, the large packers met the views of the Government and agreed to the decree above referred to.

It is false to charge, as some do charge, that the larger packers met the views of the Government and gave up certain businesses because of guilt. They deny having violated any law. The decree is not predicated upon finding of guilt and expressly so recites. It is to be regretted that there are some people who can not see proper motives in any human action.

Now it is proposed not only to embrace the terms of this decree in legislation, but to extend its terms by legislation, which will lead to untold confusion and conflict; not to speak of the injustice that such action would work to this industry as a whole, including hundreds of smaller packers, against whom no claim of wrongdoing has ever been made.

As the larger packers have yielded to the Government and given up businesses which never could have been taken away from them by litigation, and probably not by legislation, it is quite natural from a selfish standpoint, that the butter, eggs, and cheese people, seeing so much accomplished against their competitors, should seize upon this as the psychological time to attempt to eliminate the packers from these lines also; this could only result in lessened competition in, and higher prices for, such products.

While we recognize that the three departments of our Government are separate and distinct, yet if in dealing with business the executive department first secures what it can from business in the way of amicable adjustment of questions involving public policy, and then the legislative department uses such settlement as a reason for enacting legislation extending beyond the terms of the settlement, business will at least be discouraged from making adjustments of such questions with the Government in the future.

The settlement with the Government is not mentioned for the purpose of obtaining credit on account thereof, but to very solemnly call to the attention of Congress and the American people that this is now just as much a question for all of the people as it is for the packers. It is a question whether the efficiency and benefits of this great industry are to be preserved for the people.

This bill can not change economic laws. It will not better the present demoralized condition of foreign exchange. It will not increase either domestic production or consumption. It will tend to keep up agitation, which is so hurtful not only to the industry itself but to the people generally.

To pass this bill would tend to discredit American packers in foreign countries, which would be against the best interests of both the American producer and American labor. Our export business is now completely demoralized. Congress should rather encourage the rebuilding of this export trade.

It is time to stop and think before irreparable harm is done. It is time for Congress and the American people to become familiar with the great fundamental principles underlying this vital industry and see that it is accorded fair play. This industry has been buffeted and injured by misrepresentation and vicious propaganda for selfish purposes quite long enough. It is much easier to tear down than to build up.

This industry has been seriously and wrongfully injured in the public mind by the charge so frequently made that the five large packers are in fact one. Nothing is further from the truth. These five companies are in actual and active competition with each other and also with 235 other packers doing an interstate business under Federal inspection and 1,000 local slaughterers, the latter enjoying the advantage of having to pay very little if any freight in the marketing of their product.

This industry has no fight to make on the producer, although the agitation against the large packers was admittedly started by certain wealthy producers at the El Paso convention in 1916. There should be the closest possible cooperation between the producer and the packer, and this is the sincere desire of this industry. It is in the interest of both the packing industry and the consumer that the producer realize a sufficient price for his live-meat animals to encourage production; for if production falls off the price of meats must advance. On the other hand, it is in the interest of both the packing industry and the producer that meats be sold low enough to encourage consumption; for if consumption falls off the price of the live-meat animals must decline, and this in turn results in lower production and higher prices for meat. No one is more anxious to see the producer prosperous than the packer. At times economic laws and conditions make it absolutely impossible to satisfy both the producer and the consumer, and yet many people do not realize that this is the constant delicate and difficult position of the packer.

It is unfortunate that this whole food problem, from the calf on the farm to the steak on the table, has not been thoroughly and ably investigated for constructive purposes. The solution of this question requires the most disinterested patriotism. The manufacture and distribution of meat foods should be taken out of politics, because the packing industry is unfortunately between the army of producers and consumers, and yet is performing a most essential work for the people as a whole.

This industry has been the target of constant bitter and intense agitation for the past three years. There have been eight congressional hearings involving the packing industry during the last four years, five of them during the last two years, and in addition a hearing is now going on before the Agricultural committee in the House. This agitation seriously injures the industry and finally reacts on both the producer and the consumer. In all fairness, this industry should now be permitted to get back to normal conditions and assist in production, which the country so much needs.

We beg to suggest that Congress should give the settlement made by the Government with the larger packers a thorough trial before enacting radical and experimental legislation; embarking, as it were, on an uncharted sea.

If there must be legislation on this subject, it should be based upon an investigation for constructive purposes into the whole food problem by a capable, disinterested, nonpolitical body of experts and economists of unquestioned standing. In this way alone can Congress determine where the evil, if any, exists and find a foundation upon which it can safely build for the future instead of passing this dangerous legislation that will only lead to confusion and possible disaster.

The packers desire most earnestly to meet and submit to a sound and enlightened public opinion on this subject; but they can not do the impossible. They can not pay a high price for the live-meat animal and at the same time sell the meat at a low price to the consumer. Congress might as well recognize this underlying and fundamental fact at this time.

We had no opportunity to analyze or discuss this bill with the committee before it was reported to the Senate; hence we avail ourselves of this the only way in which we can now lay our views before the Senate and the public.

Having an abiding faith in the final judgment of Congress and of the American people, this analysis and statement of facts is respectfully and candidly submitted.

INSTITUTE OF AMERICAN MEAT PACKERS.

Mr. RAINEY. I present Mr. J. C. Kinney, or Arizona. Will you kindly give the reporter your full name and address, Senator?

STATEMENT OF MR. J. C. KINNEY, TUCSON, ARIZ., REPRESENTING THE ARIZONA CATTLE GROWERS' ASSOCIATION.

The CHAIRMAN. You may proceed, Mr. Kinney.

Mr. KINNEY. Mr. Chairman, I am here officially representing the Arizona Cattle Growers Association. I make that statement to start with, because some one remarked before I came on here that there had not been anyone here representing the organization. I am also a member of the Montana Live Stock Association, and I can speak for them as well. I bring you this message, that the livestock growers of Arizona and of Montana do not favor bureaucratic legislation and do not favor Federal interference with the packing industry, because we believe it would injure our business and would not benefit the producer or the consumer.

The Arizona Cattle Grower's Association assembled in Phœnix, November 10 last. Present at said meeting were Mr. Jastro, chairman of the Marketing Committee and Dwight B. Herd, member of the same committee. The points that were discussed at that meeting were these, principally:

The Federal Trade Commission, who investigated the meat packers, report: That the power of the "Big Five" in the United States has been and is being unfairly and illegally used to—

1. Manipulate live-stock markets.
2. Restrict interstate and international shipping of foods.

3. Control the prices of dressed meats and other foods.
4. Defraud both the producer of food and the consumer.
5. Crush effective competition.
6. Secure special privileges from railroads, stock-yards companies, and municipalities, and profiteer.

Our answer to that was short but effective. We looked up Armours' report, and Armours' testimony shows that they made but 2 per cent on the dollar, and 8.9 per cent for 8 years, including the war period, on their entire capitalization, and flatly denies any combination.

Swift & Co. make a flat denial of combination in restraint of trade.

Now, our association at that time had passed a resolution against this class legislation.

Mr. McLaughlin of Nebraska. Right there, Senator. As to those four or five indictments that you bring against the Federal Trade Commission, on what do you base such far-reaching statements?

Mr. Kinney. Well, perhaps you did not understand what I meant by producing those. Those were conditions that were brought out at our meeting as a reason why this legislation should be enacted. I do not criticize any of these six declarations by the committee, but they were brought out very clearly at our meeting of cattle growers at Tucson, Ariz., and we gave them a great deal of thought. In fact, it was our second meeting at Tucson, Ariz.—we had had one before that—and through our regard for Mr. Jastro, who is an old timer in Arizona, we postponed this meeting for about 40 days at his request. We postponed it during the roundup season, to give everybody an opportunity to appear at the next meeting. These points then were brought up and discussed, and the result was a resolution opposing this class of legislation by an overwhelming majority. That is why I refer to those six counts.

Mr. McLaughlin of Nebraska. You speak of the testimony of Armour and Swift, showing that they made 2 or 2½ per cent on their sales, as influencing you in your resolution exonerating them. Some of the Government reports seem to show that for a period of 10 years, from 1908 to 1918, the average profits on the investments of the five packers were 20 per cent, and that Swift & Co. made around 32 or 33 per cent in 1917. Do you think those profits are entirely legitimate in comparison with the profits you make as a producer on your investment?

Mr. Kinney. Why, I did not see that part of the report. I saw surmises and accusations, but I did not see anything founded on facts. And I did see this about Swift and Armour and others: Their statements of earnings are attested to by supposed accredited accountants, and they make these statements, and I refer to them as being about the only argument that we produced at this meeting last fall of the Arizona Cattle Growers Association. We did not make much of an argument; our cattle growers opposed this class of legislation practically unanimously when they understand it.

Mr. McLaughlin of Nebraska. Was this meeting that you held attended pretty largely by the cattle growers, or was it a meeting of the executive board or officers?

Mr. Kinney. Well, I referred to that, but I did not explain myself fully. The first meeting was a meeting of the executive board. The executive board was overwhelmingly against Mr. Jastro's ideas. Mr.

Jastro raised the point that it did not seem right that the executive committee should act on as important a proposition as that for the association. So we adjourned that meeting by consent and waited about 40 days, and notified every member, I suppose. It is represented that we notified every member of our 1,400.

Mr. McLaughlin of Nebraska. One question further. You have spoken of Armour's and Swift's testimony, I take it, as in some degree influencing the action that you took in your association—that is, their statement that they made only 2½ per cent on their sales. If you had known at that time—and it is not disputed; nobody will dispute it here—that the profits of these packers for 10 years, based on their capitalization, were 20 per cent, and that Swift made 33 per cent in 1917, would that, do you think, have influenced you in the resolutions that you passed?

Mr. Borders. Do you mean capitalization or capital investment? There is quite a difference with us—15 times.

Mr. McLaughlin of Nebraska. Well, on their investments.

Mr. Lightfoot. Are you reading that from the figures of the Southern Wholesale Grocers' Association?

Mr. McLaughlin of Nebraska. Yes, sir.

Mr. Lightfoot. I do not think that applies to the capital investment; that is on some other basis.

Mr. McLaughlin of Nebraska. It is an average of 20 per cent on their investment for a period of 10 years. You do not dispute that, do you?

Mr. Borders. I dispute it most positively as to Morris & Co.

Mr. McLaughlin of Nebraska. Well, this is an average.

Mr. Borders. No; I dispute that.

Mr. McLaughlin of Nebraska. Swift & Co.'s profit on their investment in 1917 was 33 per cent.

Mr. Lightfoot. They have $100,000,000 invested; but they probably employed, maybe, $500,000,000, and most of it borrowed money, which they invested in these products and took the risk on. When you figure what the per cent was on the borrowed money, including their capital and surplus, it will not produce figures of that kind.

Mr. Voigt. Let me say here, it would hardly be fair to expect that they would make money on other people's money. They would make it to some extent, but the fact is that they made a profit of 33 per cent on their own investment in 1917.

Mr. McLaughlin of Nebraska. That is not disputed. We will take this up with Mr. Weld when he is on the stand.

Mr. Lightfoot. I have not the exact figures, but I know this: During the war, on all of the articles under the control of the Food Administration, class 1, the packers made 5.6 per cent during that period. That was reported by the Food Administration to the President.

Mr. McLaughlin of Nebraska. That is on the volume of sales or on investment?

Mr. Lightfoot. That is on the capital employed in those lines. Mr. Weld probably could give you the exact figures.

Mr. Borders. Let me make this suggestion, Congressman, about profits—and I do not want to take the time of Mr. Kinney, because he has come a long distance and wants to get away.

It is strange to say the least, that the Federal Trade Commission has not issued its statement on profits—I do not mean generalities, I mean a statement. These packers, by their officers, under oath, make returns as to their profits, and those statements under oath ought to be accepted, especially in view of the fact that the Federal Trade Commission has had all this time, years, to dispute those figures. They have never done it successfully, they never can do it, and never will.

Mr. McIsaac. I think it is proper to say, Mr. Chairman, that the volume on profits is in the printing office now, and has been for a long time.

Mr. Borders. It has been a long time coming out.

Mr. Kinney. Let me answer your question. If they had made 20 per cent I would still be opposed to this class of legislation. I am opposed to bureaucratic legislation. We oppose further centralized Federal power and control of individual business. We request that you cut out further nagging and deadly agitation.

It is understood that the Attorney General arrived at an agreement with the packers and secured a court decree, through which much of the so-called evil of the "Big Five" may be eliminated.

We do not believe that the consumer or the producer will be benefited by taking the stockyards away from the packers, or by requiring them to stop handling grocery lines. But that decree has been issued, and these things have been done. What we want now is to see this agitation stopped, and we think for this reason that the decree ought to be tried out without trying to pass legislation.

We denounce as extravagant and dangerous doctrine the Federal Trade Commission's report of July, 1918, wherein they recommend that the Government acquire all rolling stock used for the transportation of meat animals, meat products, etc., and that the same be declared a Government monopoly.

We contend that this agitation has greatly injured our business by creating unfavorable public sentiment against the packers, thereby lessening the consumption of meats and creating uncertainty in the trade.

This legislation seems to be a contradiction of its various proponents. We bid for efficiency, economy, and world trade. We have out an army of trade investigators, in an effort to reduce the high cost of living. In the report of Arizona's fair-price commissioner, George H. Smalley, to Attorney General Palmer last fall he stated that in cities and towns where the packer operates, retail prices were lower. That, too, affected our resolution.

The wholesale grocers want the packers to stay out of all food products unrelated to the meat industry, for the reason that through their organization, equipment, efficiency they can undersell them.

On March 2, Mr. Ed. C. Lasater, of Texas, is alleged to have given the following interview here in Washington. I would not burden you with the reading of this, except to show you how the majority of Montana and Arizona stockmen differ from Mr. Lasater's statement. I will read it, and comment as I go along:

> Virtual elimination of the big packers from the meat industry and substitution of small local and cooperative stockyards and slaughterhouses was suggested to-day by Ed. C. Lasater, of Texas, representing live-stock growing organizations before the House Agricultural Committee.

I would like a little information in regard to what live-stock association he represents outside of Texas, if anybody can answer that. I do not know of any.

Dr. WILSON. I think he claimed to be a representative of the National Live Stock Association.

Mr. LIGHTFOOT. No; he did not; he formerly was. When he testified at other hearings he did appear as a representative of the American Live Stock Association, but at this hearing he stated that he represented certain farm organizations and himself. I do not think he stated that he appeared at this hearing representing any live-stock associations.

Mr. KINNEY. It sounds to me like he represents H. C. Towne.

Mr. MCLAUGHLIN of Nebraska. Now, with reference to this newspaper report, did Mr. Lasater make such a statement as that before this committee, that he favored the five big packers going out of business and small independent cooperative associations taking their place?

Mr. BORDERS. I heard him make this statement, that if the legislation was enacted that he advocated, within five years there would be no trouble at all about the five larger packers, that they would be supplanted by small packers and municipal plants. I heard his statement, over here in this other room, squarely to that effect.

Mr. WILSON. In the Judiciary Committee room, was it not?

Mr. LIGHTFOOT. Yes; last Saturday morning, when I asked Mr. Lasater some questions. But he did before this committee, I think, deny the specific statement that is made in the nawspaper. He complained, I know, and made some objection to the way he had been quoted in the newspapers on that subject. Just what he testified to I do not know, but of course the record will show that. He did raise some question as to the light in which that newspaper article placed him.

Mr. KINNEY (continuing reading):

> Mr. Lasater opposed ownership of refrigerator cars by the packers who, he said, also should be divested of all interests in cattle loan companies. Many of the witnesses who have opposed the pending legislation for packer control, Mr. Lasater said, were borrowers from the packer banks.

I am not one of them [continuing reading]:

> "We producers should not be limited in our borrowings to the men who buy our product," the witness declared, "and the consumers of the country also can not afford it."
>
> Mr. Lasater asserted, however, that the packers and their cattle loan companies protect their borrowers.

I am glad he did that; I know something about that.

> "But their loans," he added, "give the packers power to intimidate their debtors and prevent protests from live-stock growers against existing conditions." Cooperative cattle loan organizations, supplemented by small cooperative slaughterhouses and yards, were suggested by the witness.

Now, that shows his glaring lack of knowledge of financial affairs, when he suggests cooperative cattle loan companies. Financial concerns get just as far as the individual back of them. Cooperative loan companies have been tried out, and if there is one to-day that is a success it would be enlightening if some one would tell me about it.

Here is another clipping in connection with this, and I think there is a trail of this kind all over the Northwest. Mr. Anderson, if he were here to-day, might give us a little insight into some of this cooperative packing stuff in his State [reading]:

> The plant of the Farmers' Cooperative Packing Co., of La Crosse, Wis., was recently sold at auction with a loss somewhere around a quarter million dollars to its 2,000 stockholders. The fine, new cooperative plant at Hudson, Wis., has shut down indefinitely after a few months' operation. It has 2,900 stockholders.

Mr. Turney, president of the Texas association, said, in Tucson, that there are too many retail meat markets in Washington, D. C., and they should be reduced by several hundred. From questions asked Mr. Brown, who appeared before you Thursday, I concluded that some of you at least favor a less number of commission firms. You desire to eliminate the so-called speculator. What are we cattle growers to gather from this line of reasoning that reaches us, coming from the friends of this legislation?

As I understand this class of legislation, and particularly as Mr. Lasater states here, it is to encourage competition, to encourage small concerns, and not allow these big packing companies to shut out the small men. Then another advocate of this legislation comes up and says that there are so many retail markets here in Washington, and that is why we have the high cost of living.

We have our State efficiency man—whatever his official title is—going out over the State of Arizona investigating the high cost of living, and he shows that where the packers operate their prices are less than they are where they do not operate. Our line of reasoning, from the standpoint of the Cattle Growers' Association, of which I have been a member all my life, is that the proponents of this legislation have a grievance against the packers, and possibly against all big organized institutions.

I have had a great deal of experience in raising, buying, selling, marketing, and slaughtering, and in financing the live-stock industry. I have seen enough of the operations in the stockyards to feel that these charges of manipulation and wrongdoing are not true. Thirty years ago this spring, I went to Montana with a Texas trail herd. For five years thereafter I followed the calling of a cowpuncher. From that time to this I have been engaged in some capacity in the cattle business. Although I have, of course, had bad years, I have prospered in the cattle business. When I lost money I did not blame it on the packers. I have believed their statements about their small profits, and have felt that I have been paid the market value for my cattle on the days that they were sold.

Our company in Arizona runs on an average of 15,000 cattle, and I own a majority of the stock. I also own land and ranch interests in Montana.

I wish to suggest in lieu of all pending legislation, a resolution passed at the trans-Mississippi Readjustment Congress at Omaha on February 20, 1919, which is as follows:

> During the period of the war, the National Government found it necessary to adopt a policy of regulating concerted action in fields of production and distribution of the materials necessary for the successful prosecution of the war. These measures were often in conflict with the Federal laws passed in time of peace.
>
> The requirements of the period of readjustment demand that certain forms of cooperation, possible during the war, be continued and enlarged; that the

contradictions on our statute books be eliminated by proper legislation, and that there be formulated definite standards of general business conduct, capitalizing such experiences of the war as have proven beneficial to the public interests. However willing we may have been to invest, the Government with extraordinary powers to meet the exigencies of the war, we are opposed to any continuation and extension of them in time of peace.

We oppose any system of licensing any private business and the taking over by the Government of the operation of any lines of business or industry built up and carried on by private initiative.

In seeking to regulate the business of the country the Government should be corrective and helpful, not hostile and destructive. Where wrongs exist or are suspected the investigations that are necessary to disclose and correct them should be carried on along broad lines. We deprecate the practice of having given out under Government sanction charges against business organizations before they have been sustained by proof.

That is practically the position of the Arizona Cattle Growers' Association and the Montana Live Stock Association.

Mr. RAINEY. I thank you, Senator. I will call Mr. R. M. Morris.

Mr. MORRIS. Gentlemen, if it is agreeable to you, I will appear Monday instead of this evening, as it is getting so late.

Mr. RAINEY. All right; that is kind of you, Mr. Morris. I do not know what the program will be Monday.

Mr. MORRIS. I have been around here for four days, and I am willing to wait until Monday as it is so late now.

Mr. RAINEY. Then I will call Mr. McElderry, of Alabama. Please give your name and address to the reporter.

STATEMENT OF MR. G. T. McELDERRY, FARMER AND STOCK RAISER, TALLADEGA, ALA.

Mr. McELDERRY. My name is G. T. McElderry, of Talladega, Ala. I am a member of the Alabama Live Stock Association and vice president of the Talladega County Live Stock Association. I have no brief for the packers, but do know something about stock raising, as I have been farming and stock raising in Alabama since 1871 and have joined every farmers' organization, except the grange, that has come along since that time. I also know that the falling off of exports of live-stock products and the agitation of legislation against the packers has cost the farmers of Alabama approximately $25,000,000 since it commenced about 18 months ago.

The growing of live stock in Alabama is just in its infancy, and what we need is more packing houses to develop this industry. In 1909 the number of cattle slaughtered and sold in Alabama was 280,000, at a total value of $4,078,000. In 1919 the cattle production was 476,000, and the value $14,675,000. In 1909, 704,700 hogs were produced in Alabama with an aggregate value of $7,747,000. In 1919 the production of hogs sold and slaughtered in Alabama numbered 1,653,400, with a valuation of $39,478,000.

The county of Geneva, one of our wire-grass counties, four years ago shipped from Hartford—a small town of 2,000 people—one carload of hogs. In 1919 we shipped from the same town 169 carloads; the total shipment from this county was 743 cars of hogs.

These statistics will show how rapidly we were growing in the production of live stock, but since this agitation began a great many farmers have sold out their cattle and hogs.

Alabama is one of five Southern States which has produced, in the past two years, pound for pound, more food than any five States in the Union. This, of course, includes our vegetable oils, which, since the packers and other food manufacturers took hold of the situation, has increased the price of cotton seed from $8 to $95 per ton.

I was recently asked by a prominent candidate for President of the United States what the farmers wanted. I replied that we only ask for a square deal, which we have not had in the past, and judging from the action of the packers in the past in their attitude toward the farmers and stock raisers, I think the only thing they want is a square deal. Why not let a committee of farmers and packers get together and adjust any differences?

It seems to me that this country has had enough of commission form of Government and attempts to conduct business by commission. Commissions do not function nor do they regulate. We had Government control of railroads. Rates were raised 25 to 50 per cent with more traffic than could be hauled, and yet the loss was approximately $1,500,000 per day. During the war we had a commission entrusted with producing castor oil for the use of the United States Government, and reports which have not been denied are current to the effect that this commission produced two quarts of castor oil at a cost to the Government of $30,000,000 each, or at the rate of $60,000,000 per gallon. A commission bought 1,000,000 curry combs for 150,000 horses, and if this commission had purchased one curry comb for each horse it would have been too many.

The Government in our section, through its boards and commissions, persuaded the Alabama farmers to grow corn and hay, and, notwithstanding the fact that we grew thousands of tons of hay and 100,000 bushels of corn within wagon distance of Camp McClellan, not one ton of hay nor load of corn could we sell to the Government. The commission appointed by the Government went 1,500 miles to buy corn and hay to feed the stock at said camp, although the railroads were then congested with other freight necessary to be hauled, and this forced our farmers to sell their corn 50 per cent less than it was bringing on the Chicago market. I saw carloads of hay which was purchased for the Government elsewhere by this commission unloaded on the ground and exposed to the weather, and rendered unfit for use and actually sold and shipped by Government agents to the farmers for fertilizer.

It is alleged that Senator Root stated we had 70,000 laws on our statute books, and it strikes me that out of these many laws there is ample authority to handle the packers' situation without creating any more commissions. Senator Underwood informed me that there were about 30,000 bills introduced in this present Congress. It seems to me that what the farmers in this country need is less law and less experimental commissions and more packing houses and other manufacturing plants to use up our raw materials. If Congress will devote its time and attention to aid us and other American citizens in extending American commerce abroad and restoring normal conditions in Europe, there will be ample commerce to consume all the manufactured products and raw materials which American people can furnish in the next several years.

I am sure you gentlemen would not favor a Soviet or commission form of Government, as Lenin and Trotski now have in Russia. This would result in abolishing our Congress and substituting a commission instead of a Congress to conduct our Government. Some in this country are advocating this. If a commission is not a good method of running our Government, and it is not, then a commission would not be good for conducting business enterprises in our country, as has been amply demonstrated.

To show that farmers in other sections of the South feel as I do on this question, I beg to submit a copy of a letter from Hon. John A. Simpson, of Weatherford, Okla., who is a member of the National Board of Farm Organizations here in Washington, and also president of the Oklahoma division of the Farmers' Educational and Cooperative Union of America, as follows:

MARCH 1, 1920.

Mr. G. T. McELDERRY,
Talladega, Ala.

DEAR BROTHER: Glad to hear from you and to know that you are so interested in the things that all farmers need to be interested in. Like you, I think that practically all the Government regulation and legislation against the packers has only operated to the detriment of the farmers and has not helped the consumers, so, of course, is an absolute failure. I heard the head of the Wholesale Grocers' Association of the United States before the Senate Agricultural Committee say that they could not sell groceries as cheap as the packers could, and that was their reason for asking the Government to force the packers out of the grocery business. How anyone can figure that it is good for the public to compel the packers to give up their refrigerator cars, their cold-storage system, their by-product manufacturing concerns, and handling of foodstuffs is beyond my conception, while all their competitors are crying out against them for doing this work at less than they can do it.

I am glad you heard from Mr. Gray Silver. I met him and formed a very high opinion of him. We were together a great deal in Washington.

Yours, fraternally,

JOHN A. SIMPSON,
Weatherford, Okla.

It strikes me that Mr. Simpson is correct in his view.

On this subject, at the fifty-third annual session of the National Grange, at Detroit, Mich., November 18, 1919, the following resolution was adopted:

While recognizing the evils of uncurbed power growing from swollen fortunes in the hands of unscrupulous and ambitious individuals, the National Grange declares that in a government of a free democracy is lodged ample power to curb all such evils. We declare our opposition to Government ownership, and to nationalization of business and industry. We favor the safeguarding and protection of private property on the broad ground that only by the full development of the right of private property can there be perpetuated the full measure of individual initiative and emulation upon which a democracy is based and by which its future is assured.

The Southern Live Stock Association, of which I am a member, at its recent meeting held at Montgomery, went on record as being opposed to the Kendrick-Kenyon bill, which we feel sure would only prove hurtful to the live-stock industry of the Nation, and especially the small stock raisers of the South.

I presume you gentlemen wish to know why I make the statement that the agitation of legislation against the packers has cost the farmers of Alabama approximately $25,000,000. You doubtless remember that the agitation in 1918 of controlling cotton by commission cost the farmers of America more than $400,000,000, and the wheat growers lost untold millions of dollars through the workings of the wheat board or commission.

I feel quite sure that you gentlemen desire to help the producer and also the consumer by this investigation and I honestly believe that the interests of the public and all concerned will be best served by a committee of farmers, stock raisers, and packers working in harmony.

The bill is un-American, vicious, and pernicious. It would fill the country with spies and grafters, as has the prohibition enforcement commission and regulation. Under the provisions of title 1, section 2, of of the Senate bill 3944, commonly known as the Kendrick-Kenyon bill, a farmer could not butcher a pig for market without sending to Washington for a permit or license, and if he failed in keeping a record he could, under the provisions of this bill be fined $500 to $10,000, or imprisoned not less than six months nor more than five years, or both fine and imprisonment.

This bill permits the commission to make such rules and regulations as they please, and it is provided that under certain conditions one man can constitute this commission and make such rules and regulations and live at any place on earth. Under the enforcement of the prohibition law a man, if seen hauling a load of pine knots, at the discretion of the United States officers, can be shot to death, as was done recently in the case of an old negro on the border of Talladego County, Ala., where I live. So may a farmer, under the provisions of this bill, should he have not complied with the regulations of this mighty commission, be shot at the discretion of officers appointed by said commission, for hauling a load of pine knots to make a fire under the kettle in order to scald his hogs.

Mr. VOIGT. I am not surprised you are opposed to the bill, if those things can be done.

Mr. MCELDERRY. It seems, after reading the bill, that it can, if you will just write the word "farmer" in place of "packer." Let me see in this bill here, it states [reading]:

> The term "packer" means any person engaged in the business of slaughtering live stock or preparing live-stock products for sale or of marketing live-stock products as a subsidiary or an adjunct to any such business.

A farmer certainly butchers hogs, and he certainly is in the same category as the packer, as I see it. This is the bill; I have got it right here before me, and that is the way I read it.

Mr. VOIGT. What I had reference to was the statement you made to the effect that the farmer might be shot by order of this commission.

Mr. MCELDERRY. It was done by the commission constituted to enforce prohibition, not only in the instance I referred to, but in another county also—Winston County, where a one-legged man was shot down and left with his horse in the woods.

This old Negro I referred to was running away, and he saw men coming with guns, and naturally, like a Negro, he jumped and ran, and they shot him in the back. That was right down within a few miles of where I live. The Negro lived in my county, but the alleged manufacturer of the wild-cat liquor was just over the line in Cleburne County.

Mr. McLaughlin of Nebraska. I should like to have a little more information than you have given relative to the $25,000,000 which you say has been lost because of the investigation of the Federal Trade Commission.

Mr. McElderry. I referred to the loss in the export of meat products. If you will get a pen or pencil and figure there a little, I can mighty easy show you. Hogs fell from 24 cents down to 10½.

Mr. McLaughlin of Nebraska. And you blame that on the Federal Trade Commission, do you?

Mr. McElderry. I blame that on the agitation caused by it; yes.

Mr. McLaughlin of Nebraska. There is where you are in all probability considerably wrong.

Mr. McElderry. It not only affected the price of the hogs we had to sell but the hogs on hand.

Mr. McLaughlin of Nebraska. I do not think the packers would make an assertion that the investigation of the Federal Trade Commission is responsible for that decline in the hog markets. I do not think their attorneys here even would do that.

Mr. McElderry. Agitation is the answer.

Mr. Lightfoot. I do not think I would make a statement quite as broad as you stated it, but I do think and believe, in fact I know from my information, that the investigation of the Federal Trade Commission and its report has had a decided influence and effect upon the export business of the packers. This report was given the widest possible circulation by the Federal Trade Commission—I refer to the summary of their report. The commission sent copies of that summary to the heads of all of the Governments in the world, practically all of them, directly through the State Department, for instance, to the King of Spain and the King of Italy and the President of Switzerland, and the heads of all those countries, this summary was sent to them through the State Department.

They also sent copies to the embassies and the ministers of every country in the world for distribution, and for the information of foreign Governments. This summary contained statements that this monopoly which they alleged to exist would have the effect of disturbing the comity existing between this country and foreign countries unless something was done to curb it. That is not exactly the quotation, but it is the thought. You will find that in there, that our international relations would be disturbed if this Government did not do something to break up this monopoly.

Now, England was on the verge of discharging its food control, the committee that controlled the food in England, and they appointed a committee from the chamber of commerce, known as the McCurdy committee, that made a report on the meat-packing proposition, in which they quoted voluminously from the report of the Federal Trade Commission, and accepted that report as being the finding of a governmental agency and acceptable for its full face value and as if it was an absolutely established fact. That was all the evidence that committee had before it. As a result of the agitation in England, growing out of the Federal Commission's findings, they reestablished the food control and they appointed one man to buy all the meat in this country, and when that man landed in this country I am informed that he announced that he would buy pork only on a basis of 13 cents, or some such figure, or a great deal lower than the market price of hogs in this country at that time.

Mr. McLaughlin of Nebraska. That is, dressed pork?

Mr. Lightfoot. Live animals. And while I can not go into this, as I do not want to take the time of the committee now, I do believe it is perfectly feasible, if this committee was interested in it, to show that the influence of the Federal Trade Commission's report has affected the export business in foreign countries.

Now, then, another thing they did when this food-control committee took charge again: They announced that they were going to use all the power they had to develop the live-stock industry in the British colonies, and they are doing that to-day. And as against American meats it has had a decided effect and influence on exports. They are going to get, as far as possible, all meats from their own colonies and not import from this country, consuming what they can supply themselves.

We think the voluntary distribution by the Federal Trade Commission of the summary of this report, containing an attack on the meat-packing industry and referring to it in specific terms, is of such a nature, and the charge that it is going to affect the relations of this Government with other countries, was bound to create prejudice in the minds of foreign Governments against the meat-packing industry in this country, especially in view of the fact that it was sent directly to the heads of these Governments. Then, also, to make sure they would get it, they sent additional copies to the embassies and ministers in this country for distribution to their Governments.

I will say also that there has been a great deal said in England in the English press on this matter, based on the Federal Trade Commission's report. We can furnish you, if you are interested in it, a great many clippings from the press; and it is going on to-day; it has not stopped.

Mr. McLaughlin of Nebraska. I will be very glad to have you get some of those for us, Mr. Lightfoot.

Mr. Borders. I have a copy of the original printed report that the gentleman has just now spoken of—of this committee appointed by the English Government to look into this very question—and when you read you will see the effect of this report of the Federal Trade Commission on our foreign export business. Instead of assisting and helping business, it has had just the contrary effect, because if this export business of American meats is cut off entirely I make the prediction that in three to five years afterwards it will be found to have practically cut the price of live stock in two. Not only that, not only reflecting on the producer, but on American labor as well. I purpose to get and read in to the record—not all, because it is a volume—that Mr. Lightfoot has spoken of, a printed report in regard to the meat industry of England, and you will find that the effect and direct effect of the report of the Federal Trade Commission has been to drive England from American meats, and, if possible, to furnish her meats from her own colonies. That is exactly what is stated.

Mr. Wilson. Mr. Borders, you say you have a copy of the English report?

Mr. Borders. Yes.

Mr. Wilson. I do not know how the other members feel about it, but I should like to see a copy of that report.

Mr. McLaughlin of Nebraska. We would be glad to have it.

The Chairman. How many pages does it contain?

Mr. Borders. It is larger than this [referring to summary of Federal Trade Commission report], and printed, and thicker than that.

The Chairman. What does it deal with?

Mr. Borders. The meat proposition. It goes primarily into the question of furnishing meats to England—British meats—and, of course, they say, practically—I will furnish it to you and you can read it yourself—that they will not use the product of the American meat packers because they are charged to be a monopoly, and to back up that statement they quote this Federal Trade Commission report and quote it exhaustively.

The Chairman. I suggest that you submit it to the committee, and we will decide on the printing of it.

Mr. Wilson. Parts of it may be available.

The Chairman. It is rather voluminous; perhaps the committee had better determine the matter of inserting it in the record.

Mr. McIsaac. I am not authorized to engage in any controversies in these matters, but think I should make this statement to clear up the record. Of course, this report is perhaps bound to affect foreign trade. I remember at the time of the meat-inspection law that agitation seriously affected the foreign trade, and that some countries refused to take American meat for a time.

But in reference to foreign complications, the first suggestion I have seen of that was a suggestion from one of our diplomatic officers in Australia or New Zealand to the effect that the packers were apparently gaining dominance in those fields, and that this was apt to cause international complications. A report by the Federal Trade Commission on this subject appears in the Congressional Record of July 31, 1919, in response to a Senate resolution.

Mr. Borders. You mean the New Zealand instance, where New Zealand had a license law and withdrew a license to Armour.

Mr. McIsaac. There were several questions up, as I recall, in New Zealand prior to the Federal Trade Commission's report. There was also an investigation in South America. I have seen quotations from the South American press containing practically the same charges as made concerning the big packers of this country, made against them in South America, and the commission touched rather lightly on that situation, but did call attention to the foreign situation.

Mr. Borders. You do not mean to say that the McCurdy committee touched lightly on the report of the Federal Trade Commission?

Mr. McIsaac. I am not speaking of the McCurdy committee.

Mr. Borders. That is the essential report.

Mr. McIsaac. I want to say this, that so far as sending these reports abroad is concerned it is a custom of the diplomatic officers to secure everything of that kind, and they request them.

Mr. Lightfoot. I would state that I think it would be interesting to the committee—I am not making any attack on the Federal Trade Commission, as such—but that the packers have suffered in the way they handled this whole investigation, and also where they went out of their way to attack the industry in a way that would disturb its foreign business instead of helping them—it has had that effect and that is one of the great things the packers feel they have been injured in. For instance, when the commission sends to the President of the United States transmitting that first volume, you find this language [reading]:

> The commission believes that these four suggestions strike so deeply at the root of the tree of monopoly that they constitute an adequate and simple solution of a problem the gravity of which will be unfolded to you in the pages which follow.
>
> Out of the mass of information in our hands, one fact stands out with all possible emphasis. The small dominant group of American meat packers are now international in their activities, while remaining American in identity. Blame which now attaches to them for their practices abroad as well as at home inevitably will attach to our country if the practices continue. The purely domestic problems in their increasing magnitude, their monopolization of markets and their manipulations and controls, grave as those problems are, are not more serious than those presented by the added aspect of international activity. This urgently argues for a solution which will increase and not diminish the high regard in which this people is held in internationl comity.

After this statement was published, the Federal Trade Commission, so far as I am informed—and I believe that the circumstances of the letter, a copy of which I will be glad to furnish this committee if you want to see it, voluntarily sent this report to the crowned heads of all the countries of Europe, excepting Germany and Russia, and also sent it to the presidents of all those countries.

Naturally that would bring directly to the attention of the heads of these Governments an official document by an official commission, in the transmission of which to the President of this country you find language of that kind; and, naturally, that would prejudice this industry in the minds of any foreign government which did not know the facts; and the credit that is given to governmental agencies abroad, especially in England, would be accepted as facts and as true, and that document was so accepted; this whole report is being acted upon in England as if it was an established fact beyond any controversy, and it has had the result, and it has had even more results than I have seen fit to bring to your attention.

I want to make it plain again; I do not want to be understood as attacking this commission as such, but I merely call your attention to these facts which have had a decided influence upon the export business of the packers in other countries, in their activities there, which, I think, is being reflected back on the producers of this country; and what the gentleman has said in relation to Alabama is true all over this country, and it would be a very startling thing if you could collate figures on the losses to the producers of the country which they have suffered by reason of the agitation growing out of an investigation conducted in an ex parte manner, in which a great many of these things could have been cleared up if it had been handled in a different way.

That is the complaint of the packers; and these newspaper clippings show that this agitation is still going the rounds. I saw one only a day or two ago, a whole column about it.

I would call your attention to the fact that there was published a letter, called the Lee letter, relating to certain meats that one of the packers bought from another packer in Philadelphia, in which some reference was made to the fact that it was bad meat. The Federal Trade Commission published that letter, and afterwards filed a complaint against the packing company based on it, and after investigation and it was explained and hearing was had on it. The Federal Trade Commission dismissed the charge against the packer. But that letter was sent abroad, and it went the rounds of the press in England, which materially affected the business of the packers of this country in England, although the packers had been exonerated and the matter had been dismissed. Yet, months afterwards this same letter was being used and circulated and printed in England, to the damage of the meat-packing business in this country.

Mr. VOIGT. Of course, it is perfectly proper that the English Government, or any other Government, should encourage its colonies to raise live stock.

Mr. LIGHTFOOT. Yes, sir.

Mr. VOIGT. You do not think that the English Government would desist from encouraging its colonies to raise live stock if it had not been for this report?

Mr. LIGHTFOOT. I think that the English Governmnt would naturally do that, just like our own Government would encourage the industry here. But the point I am making is this, that after the circulation of this report in England, they recalled their food ministry and reinstated it in power; and one of the first acts that that committee did was to take steps to encourage greater production so that they would not have to patronize what is characterized in that report as "the American meat trust."

Mr. VOIGT. Can you furnish any proof or state positively that they recalled the food ministry because this report of the Federal Trade Commission characterized the industry as the "American meat trust"?

Mr. LIGHTFOOT. I think I can furnish you with the press clippings to that effect; in fact, I am sure I can.

Mr. VOIGT. You mentioned some gentleman who came over here in behalf of England who insisted on buying our meats at not to exceed 13 cents a hundred.

Mr. LIGHTFOOT. I would not be certain about the fixed price he named as a basis on which he would buy, but it was a great deal lower than the prevailing market price of live stock in this country; and I think that it was around 13 cents that he named.

Mr. VOIGT. At the time that he made the announcement that he would only buy at the price which was below the market, did he immediately get some meat?

Mr. LIGHTFOOT. I do not think so. The fact is they are buying very little, but he bought some.

Mr. VOIGT. That gentleman, if he announced a certain price which was below the market, he either got no meat or he had to wait until the market got to his figure?

Mr. LIGHTFOOT. Yes; that is so.

Mr. VOIGT. So that the naming of his price did not make the market in this country come down?

Mr. LIGHTFOOT. If this food ministry was not in power the packers could go over in England and probably find a market themselves over there. But they can not do it. They have to sell all the meats for export going through this man; the Government is still buying meat.

Mr. Voigt. You are not selling any meat to that gentleman cheaper than to our own people——

Mr. Borders (interposing). The trouble is, we are not selling any meat for export at all.

Mr. Voigt. The fact is that you can not export any meat or any other products on account of the greatly disturbed conditions and rates of exchange?

Mr. Lightfoot. That has some bearing on it.

Mr. Voigt. Is not that the chief factor at the present time which prevents export of commodities from the United States?

Mr. Lightfoot. I think it is probably the controlling factor.

Mr. Voigt. Do you not know, as a matter of fact, that the copper producers of this country who have, in former years, exported a large share, if not more than half of the copper of this country, have been unable to export any copper on account of the rates of exchange?

Mr. Lightfoot. I am not informed about copper, but I would not challenge that statement at all.

Mr. Voigt. If you have been reading the newspapers, you have noticed that copper exports to foreign countries only started in last week, and then only on a limited scale, on account of the low rates of exchange.

Mr. Lightfoot. I think, Mr. Voigt, that there are agencies in England which are able to establish their own credits here for the purchase of meats, if it were not for this control that England now has over export.

Mr. Voigt. We have been reading in the newspapers for some time past that the export business of this country has actually suffered severely on account of the rates of exchange.

Mr. Lightfoot. There is no doubt about that.

Mr. Voigt. And I assume that your business has suffered just as much as the rest.

Mr. Lightfoot. It has.

Mr. Voigt. I believe that the price of meats, and, consequently, the price of live stock, has gone down on account of the rates of exchange.

Mr. Lightfoot. That has not been the whole cause of it. Of course, we say this, that even if the rates of exchange were stabilized that still we would be handicapped by virtue of the prejudice that has been created abroad growing out of this whole controversy and this report of the Federal Trade Commission.

Mr. Voigt. Let us see about that: Suppose the rate of exchange were drawn back to the normal to-morrow; where would England get its meat supply if it did not get it largely from the United States?

Mr. Lightfoot. Well, they are getting it elsewhere now.

Mr. Voigt. They can not grow cattle and hogs overnight, can they?

Mr. Lightfoot. No, sir.

Mr. Voigt. So they would have to draw on the supplies of the world, as they did formerly?

Mr. Lightfoot. For instance, now all of their refrigerator ships—and they control practically the largest part of that tonnage that is afloat—in the place of coming to this country for fresh meats are going to Australia.

Mr. Voigt. Because the rate of exchange is so disturbed they can not buy meats in this country. Suppose that the rate of exchange was put to normal to-morrow, would not they have to draw on this country, just as they did two, three, four, or five years ago?

Mr. LIGHTFOOT. I think they would draw a great deal from here.

Mr. BORDERS. Not to the same extent.

Mr. LIGHTFOOT. Not to the same extent. The reason they came to this country during the war was owing to the fact that it took too long to send to New Zealand and Australia and other outlying countries for their stuff, and there was a surplus grown in those countries during that time.

Mr. VOIGT. That is due to the war conditions and not to the existence of this report. Suppose we cut out the war and assume that the exchange is normal to-morrow; would not the meat supply of the world be, substantially, in the various countries, in the same proportion that it was five or six years ago?

Mr. LIGHTFOOT. I have not examined the figures on this; but I do say this, it would help our export business.

But as long as England maintains a food ministry, and one man can do all the buying, that he can come pretty near controlling the price that is established here. If that ministry was not in existence and each of the packers could use their distributing facilities abroad for the distribution of their products, they would open up for themselves to a large extent the market there.

Mr. VOIGT. You do not mean to say that this one gentleman in England is going to control the meat prices in the United States?

Mr. LIGHTFOOT. He will have something to say about the price England pays for the stuff over here.

Mr. VOIGT. He can buy or refuse to buy, but he is not going to control your prices, is he?

Mr. LIGHTFOOT. We will get all that we can for products and increase the price as much as we can, but it will be in his control largely, just like it was during the war in this country, when they had the right to fix prices.

The CHAIRMAN. Is not England's attitude that because of the fact that she can buy cheaper in Argentina? That is what Prof. Weld stated.

Mr. LIGHTFOOT. When war prices were at their peak, all of these things contributed to the decline in values.

The CHAIRMAN. Our proximity to Europe helped out the situation during the war?

Mr. LIGHTFOOT. Yes, sir.

The CHAIRMAN. But they have greater facilities and go where they can buy cheaper, as I understand it?

Mr. LIGHTFOOT. They are going to take off the surplus stock accumulated during the war and to encourage the production in their own colonies. That is a part of the policy of this food ministry. I do not know what they pay for stuff in Australia, and whether they can transport it all the way to England and deliver it there cheaper than they can now buy it at present levels in this country. I am not advised about that. But I do know that they are getting their supplies elsewhere, and this is one of the reasons why they are encouraging production in their colonies, and that was caused largely by the effect that this report had in England and the retention of the food ministry in that country.

The CHAIRMAN. They are still sending considerable pork to Europe, are they not?

Mr. LIGHTFOOT. Not very much.

The CHAIRMAN. I think we are selling a good deal of a certain quality.

Mr. LIGHTFOOT. I do not think there is very much moving right now, on account of the rate of exchange.

Mr. VOIGT. Do you not think that if you were to investigate the figures that you would find there has been the same proportion of drop in the price of live stock in Australia and in the Argentine, for instance, that there has been in the United States?

Mr. LIGHTFOOT. I would be very glad to have that investigated, if you would be interested to have the figures, and I suppose we could get it.

I want to say one word more in reply to the suggestion of Mr. McIsaac, as to the effect of this report: Armour & Co. was doing business in New Zealand. They have a plant there, and there is a license law in New Zealand such as proposed in this bill. Based upon the findings of the Federal Trade Commission, and no other evidence, New Zealand refused to give Armour & Co. a license to export their products from New Zealand.

Mr. VOIGT. Is it not a fact that when the meat inspection was under discussion in this country some 10 or 12 years ago that some of the European countries refused to buy any meat from the United States?

Mr. LIGHTFOOT. I am not advised about that; that was before my day in the meat business.

Mr. VOIGT. That is a fact.

Mr. LIGHTFOOT. It may be; I can not say.

Mr. VOIGT. Of course, the argument was undoubtedly made at the time that law was passed that it should not be passed on account of the agitation and on account of the bad influence it would have on our commerce to Europe. But I think the people of this country to-day are very glad we have meat-inspection law.

Mr. BORDERS. Now, Congressman, the two laws are not similar. I do not think they are analogous.

When you make the point that rates of exchange be reestablished back to prewar basis, do not overlook this fact: Land, labor, corn have all gone up in this country, and when Iowa land has gone up as high as $700 an acre, and you know what labor and corn is. And then think of competing, having that meat produced under those conditions, competing with meat raised in South America, New Zealand, and Australia. That is what we have got to face; that is what producers of this country have got to face; and there is a different situation from what existed prior to the war.

Mr. VOIGT. There may be spots, of course, where land has gone up exorbitantly, and you have stated one of the exorbitant cases. But you and I must assume prices of land and labor have gone up the world over.

Mr. BORDERS. I think land has advanced nowhere like in the corn belt. I do not think labor has advanced and the cost of everything else that has entered into meat have advanced so tremendously as they have in this country. Land has advanced elsewhere, but I think our land has advanced out of proportion as compared with South America, New Zealand, and Australia.

Mr. VOIGT. The South American meats even before the war were cheaper than American meats.

Mr. BORDERS. Yes, sir; that is true.

Mr. MCLAUGHLIN of Nebraska. That was the exact time when the pork dropped from 18 to 10 cents a pound.

Mr. MCELDERRY. Within the last 18 months. I was then growing hogs and I knew what prices I was getting.

Mr. MCLAUGHLIN of Nebraska. I wanted to ask you if you knew whether or not during this time there has been this tremendous drop in the price of hogs, the wholesale price of the dressed product furnished by the packers to their retail dealers had dropped in the same proportion.

Mr. MCELDERRY. I think so, I remember one time, the highest time, the highest point that I remember about when side meat was 32 cents, and it can be bought now around 20 cents.

Mr. MCLAUGHLIN of Nebraska. One further question: In your wholesale condemnation of commissions, you cited the railroad commission, because rates were raised, as you said, from 25 to 50 per cent.

Mr. MCELDERRY. That was Government control I was indicting.

Mr. MCLAUGHLIN of Nebraska. When we consider that during that same time wages advanced to 60 to 80 per cent and farm products advanced 100 per cent or more on the average, and manufactured products advanced anywhere from 60 to 80 per cent, do you think that it is fair to condemn a Government commission from being compelled to raise freight rates to meet this other general raise all along the line?

Mr. MCELDERRY. The assumption is wrong; the Government did not have to raise those rates; the Government did not have to raise wages. If the Government had told these laborers, like they did the boys, to go over to France to be shot at by the Germans, "You get busy at $30 a month," I think it would have been infinitely better for the whole country. They did not have to do it. I heard a railroad conductor say the Government should have done this.

Mr. MCLAUGHLIN of Nebraska. That will not go down anywhere.

Mr. MCELDERRY. All right.

Mr. VOIGT. Did I understand you to say that the Government had spent $60,000,000 to produce one gallon of castor oil?

Mr. MCELDERRY. I saw it in a newspaper, and not contradicted, on Sunday. A neighbor man who was coming up here to attend a convention handed me a paper, the first one gotten out, which he was going to circulate in my State, and that statement was made in that labor paper. I have forgotten the name of it, but it was published at Birmingham. This was the first copy gotten out, and I saw that statement made there. I had heard it made before.

Mr. VOIGT. Do you believe that is so?

Mr. MCELDERRY. I do not know a thing about it. I know they spent a lot of money without getting results. A number of farmers in my State tried the castor-oil business and made a failure of it.

Mr. WILSON. I have thoroughly enjoyed your testimony and you seem like a very substantial man, and as long as there is a vacancy now in the office of United States Senator for the State of Alabama, I would like to see you come up here and represent that great State in the United States Senate. You are the right kind of a fellow for that position.

Mr. McElderry. Thank you very much, sir. Gentlemen, are there any other questions?

The Chairman. We are very grateful to you, Mr. McElderry. The committee will now stand adjourned until 10 o'clock Monday morning.

(Thereupon, at 5.55 o'clock p. m., the committee adjourned to meet Monday, March 15, 1920, at 10 o'clock a. m.)

X

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

MONDAY, MARCH 15, 1920

PART 17

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Monday, March 15, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman), presiding.

The CHAIRMAN. Are you ready to go on, Mr. Rainey?

Mr. RAINEY. Yes, sir; I will call Mr. Morris.

STATEMENT OF MR. R. A. MORRIS, EL PASO, TEX.

The CHAIRMAN. Please give your full name and address?

Mr. MORRIS. R. A. Morris, El Paso, Tex.

The CHAIRMAN. You may proceed, Mr. Morris.

Mr. MORRIS. Mr. Chairman and gentlemen, I have been engaged in the cattle business in the Southwest for the past 27 or 28 years in Texas and New Mexico, both in breeding and grazing and buying and selling cattle and principally the last five years in grazing and trading in cattle. I organized the Horseshoe Land and Cattle Co. of New Mexico in 1898 and was vice president and general manager of that concern for about ten or twelve years until the Santa Fe road built down through New Mexico and the country was settled up. I then closed that out. Afterwards, I bought the Delaware Land and Cattle Co. interest in Culberson County, Tex., about 150,000 acres of land, principally State land, leased land, and maintained that ranch until about five years ago when I sold it and moved to El Paso. Since that time I have been engaged in buying and selling cattle rather extensively through western Texas, New Mexico, and Arizona. Last year my partner and myself handled about 25,000 cattle. We have now between seven and eight thousand steers on hand.

We feel that any legislation that tends to create agitation and disturb the normal conditions of the United States is decidedly against the cattle business. Since I have been engaged in the business, which is all my life, I have never known one of these agitations against the packers that has not resulted to the injury of the cattlemen. We have just gone through the most severe drought in western Texas that that country has ever seen, covering all of west Texas, New Mexico, and the greater part of Arizona, and it has just been an awfully hard pull.

I noticed in Mr. Lasater's testimony some criticism of the cattle loan companies maintained by the packers. We have a cattle loan concern in El Paso and I venture to say that they had something like $12,000,000 to $15,000,000 loaned on cattle, and during all of this drought, I do not know of a single instance where a loan held by that concern has been called. Now, I do know that they have granted extensions, and not only extensions, but have advanced expense money when I am sure the collateral was hazardous, not once, but many times.

plaint against the packing company based on it, and after investigation and it was explained and hearing was had on it. The Federal Trade Commission dismissed the charge against the packer. But that letter was sent abroad, and it went the rounds of the press in England, which materially affected the business of the packers of this country in England, although the packers had been exonerated and the matter had been dismissed. Yet, months afterwards this same letter was being used and circulated and printed in England, to the damage of the meat-packing business in this country.

Mr. VOIGT. Of course, it is perfectly proper that the English Government, or any other Government, should encourage its colonies to raise live stock.

Mr. LIGHTFOOT. Yes, sir.

Mr. VOIGT. You do not think that the English Government would desist from encouraging its colonies to raise live stock if it had not been for this report?

Mr. LIGHTFOOT. I think that the English Governmnt would naturally do that, just like our own Government would encourage the industry here. But the point I am making is this, that after the circulation of this report in England, they recalled their food ministry and reinstated it in power; and one of the first acts that that committee did was to take steps to encourage greater production so that they would not have to patronize what is characterized in that report as "the American meat trust."

Mr. VOIGT. Can you furnish any proof or state positively that they recalled the food ministry because this report of the Federal Trade Commission characterized the industry as the "American meat trust"?

Mr. LIGHTFOOT. I think I can furnish you with the press clippings to that effect; in fact, I am sure I can.

Mr. VOIGT. You mentioned some gentleman who came over here in behalf of England who insisted on buying our meats at not to exceed 13 cents a hundred.

Mr. LIGHTFOOT. I would not be certain about the fixed price he named as a basis on which he would buy, but it was a great deal lower than the prevailing market price of live stock in this country; and I think that it was around 13 cents that he named.

Mr. VOIGT. At the time that he made the announcement that he would only buy at the price which was below the market, did he immediately get some meat?

Mr. LIGHTFOOT. I do not think so. The fact is they are buying very little, but he bought some.

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Mr. VOIGT. So that the naming of his price did not make the market in this country come down?

Mr. LIGHTFOOT. If this food ministry was not in power the packers could go over in England and probably find a market themselves over there. But they can not do it. They have to sell all the meats for export going through this man; the Government is still buying meat.

Mr. Voigt. You are not selling any meat to that gentleman cheaper than to our own people——

Mr. Borders (interposing). The trouble is, we are not selling any meat for export at all.

Mr. Voigt. The fact is that you can not export any meat or any other products on account of the greatly disturbed conditions and rates of exchange?

Mr. Lightfoot. That has some bearing on it.

Mr. Voigt. Is not that the chief factor at the present time which prevents export of commodities from the United States?

Mr. Lightfoot. I think it is probably the controlling factor.

Mr. Voigt. Do you not know, as a matter of fact, that the copper producers of this country who have, in former years, exported a large share, if not more than half of the copper of this country, have been unable to export any copper on account of the rates of exchange?

Mr. Lightfoot. I am not informed about copper, but I would not challenge that statement at all.

Mr. Voigt. If you have been reading the newspapers, you have noticed that copper exports to foreign countries only started in last week, and then only on a limited scale, on account of the low rates of exchange.

Mr. Lightfoot. I think, Mr. Voigt, that there are agencies in England which are able to establish their own credits here for the purchase of meats, if it were not for this control that England now has over export.

Mr. Voigt. We have been reading in the newspapers for some time past that the export business of this country has actually suffered severely on account of the rates of exchange.

Mr. Lightfoot. There is no doubt about that.

Mr. Voigt. And I assume that your business has suffered just as much as the rest.

Mr. Lightfoot. It has.

Mr. Voigt. I believe that the price of meats, and, consequently, the price of live stock, has gone down on account of the rates of exchange.

Mr. Lightfoot. That has not been the whole cause of it. Of course, we say this, that even if the rates of exchange were stabilized that still we would be handicapped by virtue of the prejudice that has been created abroad growing out of this whole controversy and this report of the Federal Trade Commission.

Mr. Voigt. Let us see about that: Suppose the rate of exchange were drawn back to the normal to-morrow; where would England get its meat supply if it did not get it largely from the United States?

Mr. Lightfoot. Well, they are getting it elsewhere now.

Mr. Voigt. They can not grow cattle and hogs overnight, can they?

Mr. Lightfoot. No, sir.

Mr. Voigt. So they would have to draw on the supplies of the world, as they did formerly?

Mr. Lightfoot. For instance, now all of their refrigerator ships—and they control practically the largest part of that tonnage that is afloat—in the place of coming to this country for fresh meats are going to Australia.

Mr. Voigt. Because the rate of exchange is so disturbed they can not buy meats in this country. Suppose that the rate of exchange was put to normal to-morrow, would not they have to draw on this country, just as they did two, three, four, or five years ago?

Mr. LIGHTFOOT. I think they would draw a great deal from here.

Mr. BORDERS. Not to the same extent.

Mr. LIGHTFOOT. Not to the same extent. The reason they came to this country during the war was owing to the fact that it took too long to send to New Zealand and Australia and other outlying countries for their stuff, and there was a surplus grown in those countries during that time.

Mr. VOIGT. That is due to the war conditions and not to the existence of this report. Suppose we cut out the war and assume that the exchange is normal to-morrow; would not the meat supply of the world be, substantially, in the various countries, in the same proportion that it was five or six years ago?

Mr. LIGHTFOOT. I have not examined the figures on this; but I do say this, it would help our export business.

But as long as England maintains a food ministry, and one man can do all the buying, that he can come pretty near controlling the price that is established here. If that ministry was not in existence and each of the packers could use their distributing facilities abroad for the distribution of their products, they would open up for themselves to a large extent the market there.

Mr. VOIGT. You do not mean to say that this one gentleman in England is going to control the meat prices in the United States?

Mr. LIGHTFOOT. He will have something to say about the price England pays for the stuff over here.

Mr. VOIGT. He can buy or refuse to buy, but he is not going to control your prices, is he?

Mr. LIGHTFOOT. We will get all that we can for products and increase the price as much as we can, but it will be in his control largely, just like it was during the war in this country, when they had the right to fix prices.

The CHAIRMAN. Is not England's attitude that because of the fact that she can buy cheaper in Argentina? That is what Prof. Weld stated.

Mr. LIGHTFOOT. When war prices were at their peak, all of these things contributed to the decline in values.

The CHAIRMAN. Our proximity to Europe helped out the situation during the war?

Mr. LIGHTFOOT. Yes, sir.

The CHAIRMAN. But they have greater facilities and go where they can buy cheaper, as I understand it?

Mr. LIGHTFOOT. They are going to take off the surplus stock accumulated during the war and to encourage the production in their own colonies. That is a part of the policy of this food ministry. I do not know what they pay for stuff in Australia, and whether they can transport it all the way to England and deliver it there cheaper than they can now buy it at present levels in this country. I am not advised about that. But I do know that they are getting their supplies elsewhere, and this is one of the reasons why they are encouraging production in their colonies, and that was caused largely by the effect that this report had in England and the retention of the food ministry in that country.

The **Chairman**. They are still sending considerable pork to Europe, are they not?

Mr. **Lightfoot**. Not very much.

The **Chairman**. I think we are selling a good deal of a certain quality.

Mr. **Lightfoot**. I do not think there is very much moving right now, on account of the rate of exchange.

Mr. **Voigt**. Do you not think that if you were to investigate the figures that you would find there has been the same proportion of drop in the price of live stock in Australia and in the Argentine, for instance, that there has been in the United States?

Mr. **Lightfoot**. I would be very glad to have that investigated, if you would be interested to have the figures, and I suppose we could get it.

I want to say one word more in reply to the suggestion of Mr. McIsaac, as to the effect of this report: Armour & Co. was doing business in New Zealand. They have a plant there, and there is a license law in New Zealand such as proposed in this bill. Based upon the findings of the Federal Trade Commission, and no other evidence, New Zealand refused to give Armour & Co. a license to export their products from New Zealand.

Mr. **Voigt**. Is it not a fact that when the meat inspection was under discussion in this country some 10 or 12 years ago that some of the European countries refused to buy any meat from the United States?

Mr. **Lightfoot**. I am not advised about that; that was before my day in the meat business.

Mr. **Voigt**. That is a fact.

Mr. **Lightfoot**. It may be; I can not say.

Mr. **Voigt**. Of course, the argument was undoubtedly made at the time that law was passed that it should not be passed on account of the agitation and on account of the bad influence it would have on our commerce to Europe. But I think the people of this country to-day are very glad we have meat-inspection law.

Mr. **Borders**. Now, Congressman, the two laws are not similar. I do not think they are analogous.

When you make the point that rates of exchange be reestablished back to prewar basis, do not overlook this fact: Land, labor, corn have all gone up in this country, and when Iowa land has gone up as high as $700 an acre, and you know what labor and corn is. And then think of competing, having that meat produced under those conditions, competing with meat raised in South America, New Zealand, and Australia. That is what we have got to face; that is what producers of this country have got to face; and there is a different situation from what existed prior to the war.

Mr. **Voigt**. There may be spots, of course, where land has gone up exorbitantly, and you have stated one of the exorbitant cases. But you and I must assume prices of land and labor have gone up the world over.

Mr. **Borders**. I think land has advanced nowhere like in the corn belt. I do not think labor has advanced and the cost of everything else that has entered into meat have advanced so tremendously as they have in this country. Land has advanced elsewhere, but I

Mr. TINCHER. Do you think that is right?

Mr. MORRIS. I do not see anything wrong with it.

Mr. TINCHER. You use cottonseed cake?

Mr. MORRIS. Yes, sir.

Mr. TINCHER. The price of that did not go down anything like the price of cattle, did it?

Mr. MORRIS. No; not that I know of. There has been such an urgent demand on account of this severe drought that they were unable to supply it at any price.

Mr. TINCHER. That was accounted for by the drought?

Mr. MORRIS. The demand and supply.

Mr. TINCHER. You do not think that the fact that the packers' control affected it, that a control of the surplus would have any effect?

Mr. MORRIS. I do not think that the packers control the cottonseed product of the country by any means.

Mr. TINCHER. You do not think that they control enough to control the surplus?

Mr. MORRIS. If they controlled enough to control the market they would have to have——

Mr. TINCHER (interposing). You know that last summer the price of average cattle which runs 1,200 or 1,400 pounds was off $50, $60, or $70 and it is your opinion, or at least you account for that, by reason of the drought?

Mr. MORRIS. No, sir. I account for that very largely, as I explained to you just a minute ago, by the fact that that very class of cattle were urgently required by the Government to feed the soldiers and that no other beef would supply them. Their specifications were such, as I said to you, that a pure-blooded heifer that would weigh 1,000 pounds—she might be a barren heifer—no better meat ever was put on a table—and that 4-year-old heifer weighing 1,000 pounds would sell for $3 a hundred less than a steer, because one filled the contract and the other did not.

Mr. HUTCHINSON. The Government paid the extra $3?

Mr. MORRIS. Sure; they paid it and made everybody else pay it that wanted the steer beef.

Mr. HUTCHINSON. You said that you paid $5 a head for young steers?

Mr. MORRIS. Yes, sir; for the same identical cattle.

Mr. HUTCHINSON. Do you not think that if this committee should recommend the bill creating a commission and Congress passed the bill that you would not have to pay the extra $5?

Mr. MORRIS. I do not know. If it passed a bill that would make that man sell those cattle for less than the price that I paid him, that would be pretty strong legislation. It might be possible to do so.

Mr. HUTCHINSON. That is the intention of the commission, to regulate it?

Mr. MORRIS. Really, I do not know just what the intention of the commission is.

Mr. HUTCHINSON. You have not read the bill?

Mr. MORRIS. Yes, sir; I have read the bill, but I do not know.

Mr. TINCHER. There is nothing in the bill which would indicate any such thing as that.

Mr. MORRIS. I should think that that would be pretty strong.

Mr. **Tincher**. If the gentleman from New Jersey stands for the consuming task and wants a law of that kind he will have to introduce the bill. Mr. Anderson has not introduced any such bill.

Mr. **Hutchinson**. We have had experience with regard to rules and regulations.

Mr. **Tincher**. We have had the experience of New Jersey mayors, too.

Mr. **Wilson**. You started out with a very interesting story, which was interrupted, about the cost of raising a yearling. I should like to have you continue that.

Mr. **Morris**. I was just going to say that this is quite a wealthy man that I bought the steers from and he never appeared to me to need a guardian. I think he is making plenty of money on the cattle.

Mr. **Wilson**. You do not think that it costs $46 plus to raise a yearling down in your country?

Mr. **Morris**. I am sure that these cattle are making this man plenty of money at the price I am paying. There may be instances where you would raise them in town and all that kind of stuff, with very high hay where it might cost $45 or even more than that. In fact, I have a couple of steers in the stockyards at El Paso that while I have not paid the feed bill on them for three or four months, I am sure that if I get 25 cents a pound I will still be losing money on them.

Mr. **Anderson**. If you can raise a yearling at this time for less than $45, why do you not raise them instead of buying them?

Mr. **Morris**. Of course, you could construe that several ways. As I said at the beginning to the Congressman, I buy a great many cattle, speculate in them, buy them, sell them, and graze them. I spoke of buying these 4,000. I can not, perhaps, raise just as many as I want. In fact, this practice of buying and selling cattle is quite common, that is, even though a man is raising cattle he might sell his own and buy others.

Mr. **Hutchinson**. You raise all you can?

Mr. **Morris**. Yes, sir.

Mr. **Tincher**. I thought you said you quit raising.

Mr. **Morris**. I have not a breeding herd at this time.

Mr. **Tincher**. You are not raising any at this time?

Mr. **Morris**. Not breeding any.

Mr. **Tincher**. That is what I mean. There seems to be a misunderstanding.

The **Chairman**. How much did the yearlings weigh?

Mr. **Morris**. In our country it takes a right cracking yearling to weigh four and a half, which is a mighty good one.

The **Chairman**. At about 10 cents a pound?

Mr. **Morris**. Yes, sir; and then some.

The **Chairman**. You may proceed.

Mr. **Tincher**. You have not any figures on the cost of raising a steer in that country which you could put into the record?

Mr. **Morris**. No, sir.

If there are any other questions that any of you gentlemen care to ask me I shall be glad to answer them.

Mr. **Anderson**. I should like to ask you a few questions if I may.

Mr. **Morris**. Certainly.

Mr. **Anderson**. Are you a member of any commission firm?

Mr. **Morris**. No, sir.

Mr. ANDERSON. I understood you to say that it has been your experience that agitation for legislation and investigation of the packers had always resulted detrimentally to the producer?

Mr. MORRIS. I said it had a depressing effect in general.

Mr. ANDERSON. Is it your opinion that the agitation about this legislation has had a detrimental effect upon the cattle market?

Mr. MORRIS. It has certainly not had the effect of stimulating or creating confidence.

Mr. ANDERSON. I should like to call your attention to a few facts in that connection. I think it is well to ascertain whether your judgment is borne out by the history of this matter.

The Borland resolution, which was the initial beginning of this agitation, was reported by the committee on December 21, 1916, and the appropriation which made that effective, I think, was adopted some time early in 1917. The Federal Trade Commission investigations began July 1, 1917, and there has been legislation pending in Congress ever since that commission made its report. I want to ask you if it is not a fact that the price of cattle, notwithstanding the slump to which you referred in 1919, the average price of cattle, has not been higher in 1916, 1917, 1918, and 1919 than in any year in the history of the country since the Civil War?

Mr. MORRIS. There is no question but what the price of cattle, like the price of every other commodity, since this European war began has been higher than ever—the price of shirts, hats, anything you name.

Mr. ANDERSON. It was not in 1915, was it? The war was in progress in 1915?

Mr. MORRIS. I guess that it had not begun to take effect.

Mr. ANDERSON. You are just guessing about that?

Mr. MORRIS. Yes; you can regard it as a guess.

Mr. WILSON. We would all make about the same guess?

Mr. MORRIS. I rather think so.

Mr. ANDERSON. But the fact still remains that despite all of this agitation in 1917, 1918, and 1919 the price of cattle reached the highest mark in the history of the country. That is true?

Mr. MORRIS. Yes, sir.

Mr. ANDERSON. You referred to the loans in Texas; did they have anything to do with the drop in the price of cattle in 1919?

Mr. MORRIS. Locally they certainly did.

Mr. ANDERSON. Then you referred to the calling of loans by the Government. Did that have any effect upon the price?

Mr. MORRIS. I hardly think that the Government loans in my section of the country were extensive enough to really affect the general conditions of the market.

Mr. ANDERSON. Why did you refer to it?

Mr. MORRIS. Just as a passing incident of the fact that they were called and the criticism offered by Mr. Lasater in his testimony as to the cattle-loan companies of the packers as though they were a detriment and not otherwise to the cattle business.

Mr. ANDERSON. You referred to the situation in Kansas and their inability to fatten cattle in 1919. Do you think that had anything to do with the depression of the price?

Mr. MORRIS. Naturally it forced a great many cattle on the stock market which might otherwise have gone as dressed beef.

Mr. **Anderson**. Do you think that the drop in the price in 1919 was due to agitation in regard to the packers and not at all due to the falling off of exports?

Mr. **Morris**. Any demand taken out of the beef business by export or otherwise would naturally depress the price. If we had a strong foreign demand for beef, as I am sure we have not—we have not exported any beef for practically a year——

Mr. **Anderson** (interposing). As a matter of fact there is not a thing upon which you can base your statement that the drop in the price of cattle in 1919 was due to agitation about this legislation, is there?

Mr. **Morris**. As I say, this is not the first packer criticism or fight since I have been in the business, they have gone on periodically, and I have never known of it that it did not depress conditions somewhat, there was a lack of confidence and lessened demand and consequently lower price.

Mr. **Purnell**. I wish you would develop that a little more in detail. I should like to know how it actually affects the market. In other words, I want to know whether it is your idea that this is a penalty visited upon the public by the packers or is it a natural, economic situation that comes from the agitation?

Mr. **Morris**. I do not consider it being a penalty at all. You might say that it puts them in a position where they do not know just what they may figure on; it is the uncertainty that is thrown around the business.

Mr. **Purnell**. Which lessens desire and ability to buy?

Mr. **Morris**. Yes, sir; it lessens their desire to spread out and increase. Of course, the more packing plants we have the more demand we have for cattle. We have one little packing plant in El Paso. If we had a dozen we would be better off, I think, decidedly.

Mr. **Purnell**. No investigation could affect the demand for the finished product, could it?

Mr. **Morris**. Yes. I think these campaigns we have had since the beginning of the war, "Eat less meat," "Meatless days," "Meat twice a week," and all that kind of stuff, these nation-wide campaigns, have decreased the consumption of beef and pork and naturally a great many housewives have been taught to buy soup bones and economize along that line, which, perhaps, otherwise they would not have done at all.

Mr. **Purnell**. Of course, that is an entirely different proposition; that is a matter of education.

Mr. **Morris**. That is it exactly.

Mr. **Purnell**. That might apply to any time or period. The condition you refer to was unusual, the condition growing out of the war?

Mr. **Morris**. Yes, sir.

Mr. **Purnell**. I am talking about general periodical investigations such as you have referred to, they do not affect the demand for the product at all?

Mr. **Morris**. No; I do not know that it necessarily does in a general way, other than the agitation certainly does come up and affects the demand.

Mr. **Anderson**. It has what effect?

Mr. **Morris**. To decrease the consumption very materially.

Mr. **Borders.** The last Department of Agriculture report shows that the consumption has been very much lessened.

Mr. **Anderson.** When?

Mr. **Borders.** Last week.

Mr. **Anderson.** For what year?

Mr. **Borders.** I do not know what period it covers, the last report.

Mr. **Anderson.** In the last report which I have seen, in 1918, according to my recollection, the consumption of meat was higher than in any prior year.

Mr. **Borders.** My understanding is that the Agricultural Department has just gotten out a report—I have not seen it—showing a very much lessened consumption of all kinds of meat in this country.

Mr. **Anderson.** Covering what period of time?

Mr. **Borders.** I do not know. I have sent for the report just now. That would answer your question.

Mr. **Anderson.** It does not answer my question.

Mr. **Morris.** I certainly would be glad to tell you if I knew.

Mr. **Purnell.** Do you think that the investigation of the packers and their activities during normal times, when there is no increase or decrease in consumption, would affect in any way the general market?

Mr. **Morris.** I do not know that it would affect it other than as created by agitation or sentiment that is freely discussed in the papers and talked of a good deal; in that respect it might.

Mr. **Purnell.** I insist if that is your principal objection to investigations such as this, that you have not based that conclusion upon any very sound logic.

Mr. **Veeder.** May I interject a word there?

Mr. **Purnell.** Certainly.

Mr. **Veeder.** I have had some experience with a good many investigations. At the time of the investigation in 1902 which resulted in the injunction of 1903, the charges that the packers were engaged in a combination or a trust which were circulated all over the country, resulted in the organization of antimeat-eating societies. It is a fact that at that time charges that the packers were combining and were getting an unreasonably high price from the consumers resulted in the curtailment of the consumption of meat, and that decreased the purchase of meat from the packers to the extent of nearly one-third of the normal consumption.

Mr. **Purnell.** That is something definite; there was a campaign——

Mr. **Veeder** (interposing). Yes; an active campaign.

Mr. **Purnell.** Participated in generally by the public to penalize the packers for their alleged combination.

Mr. **Veeder.** In 1902 there was a campaign inaugurated to stop the buying of meat from the packers who were charged with being in a combination. Since that, in the investigations from 1905 to 1911, there was no such organized effort. At the same time the tendency is there.

Mr. **Purnell.** Does it affect the market if there is no organized effort on the part of the public to punish the packers or anybody else for an alleged illegal combination?

Mr. **Veeder.** Perhaps not in the sense of a punishment, but when charges are made that the packers are in a combination to get higher prices than are proper for their meat, the people naturally become indignant, and it has an effect to the extent that they decrease the consumption of meat. That effect always is brought about when there are any widespread charges such as the charges made in 1902, 1905, and 1911, and at the present time the same thing is undoubtedly true.

Mr. **Purnell.** I did not say that I believe it; but in that connection the thought naturally follows. Is there any effort on the part of the packers to assist in this agitation and unrest by refusing to buy and having a general curtailment of activities in order to impress the producer with the fact that this continued agitation is injurious?

Mr. **Veeder.** The packers' margin of profit is so narrow, the losses that they have to recoup themselves from are so large anyway, that they can not afford, and it would be very foolish, to do anything that would decrease consumption and thereby increase their losses. The packers are constantly exerting themselves to make enough profit to make their usual 1.15 or 2 cents a pound on their dollar of sales. It is all they can do to get that. They can not afford to increase their losses any more than economic conditions compel them to accept.

Mr. **Purnell.** Is there any other way in which general agitation affects the buying or selling public?

Mr. **Veeder.** I imagine that to some extent it affects the producer in selling his stock, that he has a tendency, perhaps, to feel the same way, and it makes him uncertain as to conditions and a little bit timid as to his position; but it has a very direct effect, even to the extent, as it did in 1902, of causing the public to organize to refrain from consuming meat that was "being put out by a supposed trust."

Mr. **Purnell.** Would it have a tendency to decrease production?

Mr. **Veeder.** It would have that tendency; I have not the slightest doubt that it does have that tendency on the producer. But as to what extent, it is always difficult to single out any one cause, since there are always so many causes affecting any economic movement.

Mr. **Borders.** Is not the effect to bring some to market that are really ready for the market, as a result of some agitations or conditions of this sort?

Mr. **Veeder.** It causes the producer to hesitate to invest his money in a business that is charged to be subject to the whims and caprices of a trust which is charged with endeavoring to control the prices of his live stock; there is no question about that.

Mr. **Voigt.** You say that this agitation causes the producer to hesitate to produce?

Mr. **Veeder.** He has a tendency not to stay in the business which is subject to the whims and caprices and subject to a monopoly controlling his business, as is charged.

Mr. **Voigt.** If that is true, that will result in diminished production, will it not?

Mr. **Veeder.** Yes, sir.

Mr. **Voigt.** And if there is diminished production of live stock, that is going to boost the price, is it not?

Mr. **Veeder.** Yes, sir.

Mr. **Voigt.** So that this agitation, if it has any effect, also has the effect of reducing the amount of live stock, and in that way increasing the price?

Mr. **Veeder.** Ultimately.

Mr. VOIGT. You say "ultimately."

Mr. VEEDER. It takes, perhaps, three years.

Mr. VOIGT. This agitation has been going on for three years at least, has it not?

Mr. VEEDER. This agitation? Yes, practically.

Mr. VOIGT. There has been three years' agitation, and, of course, during that time you could raise a three-year-old steer, could you not?

Mr. VEEDER. I expect you could; they have been doing it.

Mr. VOIGT. So that the agitation has been going on long enough to cause a diminution of production on the part of the producers?

Mr. VEEDER. As I distinctly said, you can not pick out any one cause from all the other causes and say that that cause is responsible for a given situation. All during these three years there has been an unusual and extraordinary demand for meats, with unusually centralized buying power from the European Governments and the American Government for meat shipped abroad. That has resulted in encouragement of production which has, of course, in this case more than counteracted the other tendency. But the witness, I think, will bear me out that the production of live stock in the last 30 years—and I have no doubt it was true before that time, but my knowledge does not extend back of that time—has run in cycles. For instance, in 1890 there was an agitation against the packers, which was largely brought about by the producers. The producers complained that the packers were interfering with the natural supply, with the result that there was an enormous decrease in production following that. As a result of that, in 1905 that agitation was brought about by the consumer. There the consumer complained of paying high prices.

Now, again we are back to another cycle, and the producer now is charging that the production is falling off because prices are too low to give him a profit.

But these things run in cycles, and I imagine that Mr. Morris here can tell you more about that than I can.

There is a time when producers are going into the business until there seems to be overproduction, with resulting lowered prices, when the producers go out of business with recurrent higher prices until the movement goes back again.

Mr. VOIGT. In 1903 the packers were enjoined by the Government?

Mr. VEEDER. Yes, sir.

Mr. VOIGT. The court at that time found as a fact that they had been guilty of restraint of trade?

Mr. VEEDER. No, sir; they found no facts.

Mr. VOIGT. They could not have been enjoined unless they violated some law of the United States.

Mr. VEEDER. That case went up on a demurrer. In other words, there was a bill filed in 1902 in which there were certain charges. The charges alleged in the bill, as is usual in a bill, were very broad and very general. The bill was supported solely by two affidavits, one of which charged that the packers in New York were in an agreement not to make deliveries unless the purchaser paid the cost of the delivery. That was as to deliveries from wholesale markets of New York to purchasers in New York City. I am referring to the city, not the State.

The other affidavit in support of the bill charged that the packers in Jersey City were in an agreement not to sell except for cash to customers who failed to pay their bills within 10 days. The agreement was not refusing to sell them altogether, but not to sell them except for cash. Those were the two affidavits which were filed with the bill to support it.

The packers demurred. The demurrer came up for argument before Judge Grosscup, and he held, in the first instance, that a cartage agreement such as had been charged in the affidavit as existing in the city of New York was not interstate commerce; second, that a credit agreement such as was charged as being in existence in Jersey City was not interstate commerce; and, furthermore, was not in restraint of trade, but was in furtherance of trade. After some discussion, he entered a temporary injunction enjoining the packers from doing all of the things charged in the bill, but expressly permitting them to combine for the purpose of limiting the shipments to various consuming centers for the purpose of avoiding gluts upon the market.

The temporary injunction was made permanent, and the packers appealed to the United States Supreme Court on that record The United States Supreme Court affirmed the decision of Judge Grosscup below, retaining in the permanent injunction the provision that the packers would be permitted to combine to prevent gluts upon the consuming markets.

Mr. VOIGT. Were you not, in that injunction, restrained from engaging in restraint of trade?

Mr. VEEDER. Yes. But it was based upon the charges in the bill, and not upon the testimony. The case went up to the Supreme Court on bill and demurrer.

Mr. VOIGT. To make a long story short, you were enjoined by the decree of the court at that time from engaging in any practices which would violate the Sherman Antitrust Act?

Mr. VEEDER. Yes, sir.

Mr. VOIGT. Do you think that the Government was justified in bringing that suit?

Mr. VEEDER. No; I do not.

Mr. VOIGT. You disagree entirely on that?

Mr. VEEDER. On what proposition?

Mr. VOIGT. Do you think that the Government when it finally obtained the decree enjoining you from violation of the antitrust act was not prima facie justified in having brought the suit?

Mr. VEEDER. Not unless it had facts showing violation of the antitrust act.

Mr. VOIGT. Do you think the court would have entered a decree enjoining you, if it were not upon facts justifying a decree?

Mr. VEEDER. Yes; because the decree was entered upon this bill to which had been opposed a demurrer.

Mr. VOIGT. Then you also think the Supreme Court of the United States made a mistake?

Mr. VEEDER. You know, for the purpose of a demurrer the facts are assumed to be true, but it does not mean they were true.

Mr. VOIGT. You were responsible for that demurrer?

Mr. VEEDER. Why, certainly. But the effect of that demurrer was a denial at that time that the bill sufficiently charged any illegal combination.

Mr. **Voigt**. You could have gone into that by filing an answer?

Mr. **Veeder**. We certainly could; but we did not. We filed a demurrer on the theory that the bill itself did not set up a business in interstate commerce.

Mr. **Purnell**. Upon what theory did the Supreme Court of the United States grant a permanent injunction?

Mr. **Veeder**. The Supreme Court evolved a new and interesting theory and one that I do not think has been appreciated since. In their demurrer, the packers denied that the buying of cattle in a local market, and the manufacturing of live stock into meat products was interstate commerce, relying upon the Knight case, which you will remember a short time before had been decided. The Knight case at that time was supposed to be the law of the land—maybe it is yet, but not in the same sense in which it was considered at that time. That is the ground upon which we demurred.

The Supreme Court in their decision held that there is a current of interstate commerce which, in the packers' case, started with the live stock on the ranch, passed on through Chicago to New York City, where the meat was sold, and that although the packers were not the people who transported the live stock to the manufacturing points and transported the meat from the manufacturing point to the consuming point, which latter was done by the railroads, nevertheless, there was one continuous movement of the live stock from the ranch to the consuming point, and that when the packers "dipped into that current" somewhere along the line, even if they did not go out of the State in which they were located to do it, that they were "dipping into the current of interstate commerce" and they became entangled with interstate commerce, and, therefore, were engaged in interstate commerce.

Mr. **Purnell**. That is still the law.

Mr. **Veeder**. That case is frequently cited. I believe it was cited only the other day in the Steel Corporation case.

Mr. **Voigt**. The packers were also enjoined by the court about that time for forming that combination known as the "National Packing Co."?

Mr. **Veeder**, No, sir.

Mr. **Tincher**. Where they agreed to dissolve?

Mr. **Veeder**. No, sir; that had not been formed at that time.

Mr. **Voigt**. When was that?

Mr. **Veeder**. That was about concurrent.

Mr. **Voigt**. That is what I say; they were enjoined.

Mr. **Veeder**. Oh, no, sir; that was not involved in that at all.

Mr. **Voigt**. Not in that suit; but there was a suit which enjoined you?

Mr. **Veeder**. No, sir.

Mr. **Anderson**. You were contemplating the merger?

Mr. **Veeder**. No, sir; I will say "no" again. The National Packing Co. was formed in 1903. If I recollect it, the Grosscup injunction was entered by Judge Grosscup in March, 1903.

The **Chairman**. May 26, 1903.

Mr. **Veeder**. Just before that the Steel Corporation had been organized. It was considered perfectly legal for one corporation, for one unit, to draw unto itself other units and operate them; that is, the Steel Corporation had taken over the stock of other steel companies, and it was considered legal so long as there was one management and not two distinct managements who were cooperating together—was considered perfectly legal under the antitrust law.

Mr. PURNELL. That is, the merger?

Mr. VEEDER. The merger. I believe that is true to-day.

Mr. Swift, Mr. Armour, and Mr. Morris—I was through this a few days ago—but Mr. Swift, Mr. Armour, and Mr. Morris got the idea that they could organize a corporation such as the Steel Trust or the Steel Corporation, which would merge Armour & Co., Swift & Co., Morris & Co., and other companies; and that in doing that they could continue to prevent these gluts on the market at the consuming points, which the Supreme Court of the United States had said it was legal for them to do.

They entered into negotiations with the New York bankers to bring about such a merger. But along in the fall of the year or spring of the next year the New York bankers informed them that it looked as though there was going to be a panic and that they would not do it. In the meantime, Mr. Swift, Mr. Armour, and Mr. Morris had purchased some 15 or 20 small companies for the purpose of including them in this merger when it was made. When the New York bankers refused to go on with the large merger, they found themselves burdened with these small companies, none of which, or at least few of which, would they have bought if they had not expected to put them into the merger. Many of them were not prosperous companies.

They then told the bankers that they had bought these companies on the faith that the bankers were going ahead with the financing of them in the merger, and the bankers finally agreed to loan them a sufficient sum of money, I think it was $15,000,000, to finance the purchase of these small companies. The bankers then required them to put these small companies in some operating condition, and required them to organize a company to take over the stocks of these purchased companies. As a result of the requirements of the bankers, and with the assistance of the bankers' attorneys, the National Packing Co. of New Jersey was organized. That company was a holding company and took over the stocks of the properties which Mr. Armour, Mr. Swift, and Mr. Morris had bought, and gave them in exchange for those properties the stocks of the National Packing Co.

That company continued to do business until 1911. In 1911, after one or two bills—I have forgotten the number—there were several bills to enjoin the continued operation of the company filed, all of which were held bad on demurrer. There were one or two indictments returned by grand juries, all of which were quashed on the ground that they did not set up a cause of action.

After the last indictment had been quashed, a new grand jury in Chicago investigated the National Packing Co. for three months.

Mr. PURNELL. What is the year?

Mr. VEEDER. In 1911; and returned an indictment, I think, about June 30, 1911. That cause came on for trial in the fall of 1911. The trial lasted for some three months, and in March, 1912, after a trial before a jury, in which the Government produced witnesses in an effort to show an agreement fixing prices at the consuming centers, an agreement to purchase live stock at the stockyards and apportion the same on a percentage basis, the same percentage which the

Federal Trade Commission and Mr. Anderson are speaking of—after all that evidence had been taken for three months——

Mr. ANDERSON (interposing). Mr. Veeder, are you asserting that the question of percentages was involved in that trial?

Mr. VEEDER. I certainly am.

Mr. TINCHER. The National Packing Co. had agreed to purchase all of this?

Mr. VEEDER. Let me finish this statement, and I will come back to that.

After the arguments were made, the jury returned a verdict of not guilty.

Mr. ANDERSON. Let us get this thing straight.

Mr. VEEDER. Let me finish this.

Mr. ANDERSON. You are a witness and you are subject to cross-examination.

Mr. VEEDER. Yes; but cross-examination follows direct examination ordinarily.

Mr. ANDERSON. Go ahead with your statement.

Mr. VEEDER. After argument, the case was turned over to the jury, and they returned a verdict of not guilty.

The charge of this indictment was not that the National Packing Co. in itself was illegal or that its organization was illegal, but that it was used as a means through which to regulate the business not only of the National Packing Co. but of Armour & Co., Swift & Co., Morris & Co.; and that at these meetings of the National Packing Co. it was agreed by these directors what proportion of the purchases of live stock Armour & Co., Morris & Co., and Swift & Co., as well as the National Packing Co., should make, and what prices they should get at the consuming markets.

The jury returned a verdict of not guilty upon those charges.

Mr. VOIGT. Why was the National Packing Co. finally dissolved?

Mr. VEEDER. The National Packing Co. was dissolved for this reason: After the verdict of not guilty was returned, the attorneys for these individuals made up their minds that no matter how innocent the organization might be in which these individuals were interested, no matter how disconnected these individuals in that organization might be from Armour & Co., Swift & Co., and Morris & Co., the fact that these individuals got together anywhere on their own business, as in the case of the National Packing Co. or otherwise, aroused so much suspicion, so much complaint, so much fear that the individuals were in this arrangement limiting or restraining the business of Armour & Co., Swift & Co., and Morris & Co., that the attorneys advised them they ought not to be together at any point of contact where such a suspicion could be entertained, and they recommended to them that they proceed to dissolve the National Packing Co.

Prior to the return of the verdict of not guilty, when the Government was filing bills of complaint against the packers in one form or another, or returning indictments against them, the attorneys had suggested to the Attorney General of the United States that if the organization of the National Packing Co. was objectionable to him, although the attorneys of these parties considered it legal, they would dissolve the National Packing Co., and requested the Attorney General of the United States to inform them in just what way he would like to have them dissolve the National Packing Co. The Attorney

General of the United States replied that it was not up to him to determine the way in which it should be done, but simply to demand that it be done and he would have to leave it to the court to determine the plan upon which it would be done.

Then followed the indictment in which the verdict of not guilty was rendered.

Mr. VOIGT. Was there any court action incident to the dissolution of the National Packing Co.?

Mr. VEEDER. There was not. I will just finish that.

After the verdict of not guilty had been rendered in 1912, upon the recommendation of their attorneys these three gentlemen undertook a dissolution of the National Packing Co., and in August, 1912, submitted to the Attorney General of the United States a plan for the dissolution of the United States Packing Co., which the Attorney General of the United States approved, and it was put into effect just before September 1, 1912. You will find a reference to that plan of dissolution and to the Attorney General's part in approving that plan of dissolution in the Attorney General's report for the year 1912.

Mr. VOIGT. Did the Attorney General at any time demand the dissolution of the National Packing Co.?

Mr. VEEDER. That was what these bills were filed for prior to the indictment in which the verdict of not guilty was rendered.

Mr. PURNELL. As a matter of fact, it was a voluntary dissolution?

Mr. VEEDER. It was absolutely a voluntary dissolution. In fact, the legality of the National Packing Co. had never been questioned.

Mr. VOIGT. On what theory, then, did the Attorney General demand a dissolution of the National Packing Co.?

Mr. VEEDER. On the theory that these parties, although ostensibly meeting on their private business at the offices of the National Packing Co., were really undertaking to regulate the affairs of these other independent companies—Armour & Co., Swift & Co., and Morris & Co.

Mr. VOIGT. It is a fact, then, that the National Packing Co. was voluntarily dissolved after a demand by the Attorney General?

Mr. VEEDER. Bills had previously been filed and had been quashed on the ground that they did not set up a cause of action.

Mr. VOIGT. At the time or prior to the time you did dissolve it the Attorney General still was demanding that dissolution?

Mr. VEEDER. No.

Mr. VOIGT. If that is not so, why did you confront the Attorney General with reference to the dissolution?

Mr. VEEDER. We simply submitted our plan to him, as a matter of courtesy, and he approved it. Likewise at that time that was not an uncommon practice. If you will remember, it was just before that that the International Harvester Co. had submitted their plan of dissolution to him.

Mr. ANDERSON. As a matter of fact, Mr. Veeder, was there not in contemplation at that time a civil suit for the purpose of dissolving the National Packing Co.?

Mr. VEEDER. No, sir. I say it "was not in contemplation." I do not know, of course, what was in the mind of the Attorney General, but whatever was in his mind had not resulted in any action of any kind, either request, demand, or invitation, or anything else. In other words, we had had no communications with the Attorney General in reference to that matter after the verdict of not guilty until we submitted to him the plan, so far as I have any recollection.

Mr. PURNELL. Did you reach the conclusion at that time that in spite of the verdict of not guilty the agitation was affecting the general conditions adversely?

Mr. VEEDER. Yes, sir.

Mr. ANDERSON. I would like to have somebody produce here a compilation of figures chronologically which will show that there is any relation whatever between the prices of cattle and the prices of hogs and the various legislative proceedings or investigations that have been had of the packing industry.

Mr. VEEDER. If you can point out to me how you can pick any single cause out of a number of causes and say that any one result is due to that cause, I will be glad to compile the figures. I can say that, as I did say, that it was a fact—and I state it now to be a fact—that prior to 1902 antimeat-eating associations were organized throughout this country.

Mr. ANDERSON. This agitation commenced either in 1902 or the preceding year. I am asking as to prices since that time.

Mr. VEEDER. I do not know what the facts are as to prices; I am not familiar with that end.

Mr. ANDERSON. That is what we were talking about.

Mr. PURNELL. I just wanted to ask this question in that connection, to see if I understood you a while ago: Usually, how long after an agitation is started and is under full swing do you get the effect?

Mr. VEEDER. It is cumulative; it takes a little time for it to get going.

Mr. PURNELL. Would you say as much as a year?

Mr. VEEDER. In 1902—I refer back to that because there was a more distinct illustration of it then than at any other time since—this agitation began in January of that year. The injunction was finally entered, I think, in March, 1903. During that year and right up to the time of the injunction, right up over the holidays, 1902-3, these societies were organized and the falling off in the demand for meats was perfectly evident. In fact, I made the statement, and I think it is true, that the demand for Swift's meat fell off perhaps almost one-third.

Mr. ANDERSON. Was it not about that time that the agitation concerning the sanitary conditions of the packing plants arose; was not that about the time the "Jungle" was written?

Mr. VEEDER. I think that came nearer 1905 or 1904.

Mr. VOIGT. According to your idea, Mr. Veeder, the Federal Trade Commission should not have investigated the packers?

Mr. VEEDER. No, sir. I have got to go back of the Federal Trade Commission to this Borland resolution.

Mr. VOIGT. According to your views there should not have been any moves made by Congress or any private organization for the investigation of the packers?

Mr. VEEDER. Mr. Congressman, when the first of the Borland resolutions was introduced, when it was first suggested that the Federal Trade Commission be appointed to investigate the packers, I personally went to the Federal Trade Commission; others did the same. I said to them, "Now, we do not object to an investigation; we will welcome it; we will open up our books and papers to you. What we are objecting to in the Borland resolution is this: That that resolution starts out by charging the packers, naming them—Armour & Co., Swift & Co., Cudahy & Co.—right in the resolution, with violating the law of the land. That is not fair. We are going to oppose any resolution that, before we have a chance for a hearing, holds us up to the contempt of the people. But if this Borland resolution is adopted, or if any other resolution is adopted, if you make any investigation we will furnish you with books and papers, and assist you in any way possible. We think this, that you should make that investigation broad enough to get some economic results out of it, to point out where it is that the waste is in this business, between the producer and the consumer. But, so far as we are concerned, we will assist you in any way within our power."

Mr. VOIGT. If I get you correctly, you do not oppose any investigations if they are conducted as you think they should be conducted?

Mr. VEEDER. We do not oppose any investigation that is conducted in a fair, square manner, that is not ex-parte, that is not conducted for some ulterior purpose, and that is conducted for the purpose of getting results and of placing the truth before the public.

Mr. VOIGT. Do you attach any degree of blame to the Congress of the United States or to any committee thereof for this agitation which you claim is hurting your business?

Mr. VEEDER. I will say this, that if the Borland resolution had not charged us by name, with crime, before any investigation, we would not have opposed it. And I will tell you something else——

Mr. VOIGT. That is not answering my question.

Mr. VEEDER. This is answering your question.

Mr. VOIGT. No. I asked and want you to answer whether you attached any degree of blame to the Congress or any committee thereof for this agitation?

Mr. VEEDER. I will say this, that I did attach blame to Congress for introducing a bill—that was one Member; I do not know as I should attach blame to Congress—but it was not fair and whoever introduced that bill was to blame for introducing it, wherein he charged private people with crime before he had any evidence of any crime. Nobody could do otherwise than resist such a bill. We could not do otherwise than resist that bill.

Mr. VOIGT. Do you attach any blame to Congress or to this committee for the hearing that is going on in this room now?

Mr. VEEDER. Oh, no.

Mr. VOIGT. What I am trying to find out is, who do you hold responsible for the agitation?

Mr. VEEDER. I hold the Federal Trade Commission responsible for this agitation. In December, 1917, after there had been three or four Borland resolutions introduced, all of which and each of which charged the packers by name with having violated the law of the land, the producers and the packers, that is, the market committee of the American National Live Stock Association and the packers, had a meeting in the office of Swift & Co. at the stockyards. At that meeting were present the principal members of the market committee of the American National Live Stock Association, also the principals of the five packing companies. I was present at that meeting. The market committee stated that they had no evidence that the packers had violated the law; that they had no desire to pillory the packers by legislation which named them in the legislation; that they were perfectly willing and anxious to have an investigation which would begin with the calf and go through to the beefsteak. We told them we had no objection to such legislation as that, and that we would even go so far as to help them to get it; and they agreed. They drafted and adopted a resolution at that meeting in which it was agreed—I think Mr. Lasater read that resolution in here—that a bill should be introduced which did not charge anybody with having violated any law but which would provide for an investigation by the Federal Trade Commission of the economic conditions of the business from the ranch to the retailer.

It was also stated that no one, either producers who were that at that meeting, or packers, should consider that this resolution meant that he was to have any immunity for any wrongs or crimes which it might be discovered in the course of that investigation had been committed. But that if the investigation developed that any one had violated any law he would have to stand his trial just the same as though this resolution had not been adopted.

Of course, the parties there had no control over that situation. If it developed in the investigation that a law had been violated, it was up to the departments of the Government to prosecute. But that was talked over, that there was no intention of these parties to in any way protect by that resolution any one who had violated the law.

Two days after that another Borland resolution was referred here. which again charged the packers with having violated the law; and the producers got back of that resolution, instead of carrying out and introducing a bill which would provide for the investigation we had agreed upon, and it was agreed at that meeting that Mr. Walter Fisher, who was present at the meeting and who was the attorney for the marketing committee, should draft that bill and submit it. Instead of drafting—instead of having such a bill introduced, the marketing committee again came down to Washington and got back of the last Borland resolution, which again charged the packers with having violated the law.

Mr. Borders. You said that that agreement considered an investigation up to the retailer. Did it not in fact include the steak on the table?

Mr. Veeder. That was the language—it was "From the calf to the beefsteak on the table," or something like that.

Mr. Voigt. You wanted to make it so long-drawn out that it would be an endless fishing proposition. That is the view I take of that proposition.

Mr. Veeder. that is not the view I take of it.

Mr. Voigt. This talk that you would not be investigated unless somebody was investigated along with you does not lead anywhere.

Mr. Veeder. I have not said anything about that.

Mr. Voigt. A good many witnesses have said that. Of course, you can only investigate one thing at a time, you know that. Your view of the Federal Trade Commission's report and as to whether the packers violated the law is not sustained by the testimony of the Attorney General. I just want to read a question and an answer from the testimony of the Attorney General before the Senate Agricultural Committee.

Mr. **Veeder.** When?

Mr. **Voigt.** Recently, sometime in January, 1920.

Mr. **Veeder.** The testimony as to the decree?

Mr. **Voigt.** Yes. His testimony goes over the whole matter. I just want to read one question and answer. Here is a question which was asked the Attorney General by Senator Norris [reading].

> Senator **Norris.** In your examination of the evidence that was submitted to you by the Federal Trade Commission and other evidence which you examined, did you reach the conclusion, as a lawyer, that the packers or any of them had violated the criminal statute or were criminally liable?
>
> The **Attorney General.** I think they had violated the Sherman antitrust law; that is both a criminal and a civil statute, Senator.

So, the Attorney General was of the opinion that you packers had violated the law at the time that he made this compromise agreement with you?

Mr. **Veeder.** When Swift & Co. entered into those negotiations with the Attorney General, Swift & Co. stated that they could continue in those negotiations only on one condition, that they should not be expected to admit, inferentially or otherwise, that they had violated any law of the land; that they could not do so and that they would not do so.

In this decree there is an express provision that there is no finding of facts and there is no adjudication of the guilt of the parties as to any of the charges in the bill; and it was only upon that condition that Swift & Co. would enter into those negotiations. Now, you ask, Why did we enter into that?

It was not because we were afraid of an indictment in Chicago and a trial to determine our innocence. It was in the hope that by giving up some of these things that had been complained of we could allay this agitation, the allayment of which would have been, we believed, for the best interests not only of the packers but the producers and the consumers. That is the reason we went into that negotiation and why we consented to that decree.

Mr. **Voigt.** In that connection, I think it is pertinent to read something more from the testimony of the Attorney General, found in Part IV of the Senate agricultural hearings, on page 37. I will read now from the testimony of the Attorney General:

> While the case was pending before the grand jury in Chicago and about the time that I had issued orders to have a grand jury investigation in the city of New York to develop some further evidence that we felt we needed, I received intimations that these packers desired to see me with reference to this case. * * *
>
> I replied to that message that if the five great packers desired to see me with the idea of dissuading me from taking any action against them, if they desired to see me for the purpose of arguing with me as to the merits of the controversy, I did not care to meet them. I had gone into that; I had satisfied myself that the Government had a case, and that it was the duty of the Attorney General to present it in some court. I stated, however, that if they desired to come to me with the idea that they would surrender to the Government; or that they desired to see how far they could go in complying with such requirements as the Government's law officer should lay down, that I should be perfectly willing to see them, as I should be willing to see any defendant or prospective defendant in a civil or criminal prosecution.

And then he says:

> After that it was a matter of a couple of months, we discussed what I thought the packers ought to do; they answered as to what they felt they could do and what they could or would not do. And this discussion proceeded for a considerable time, until finally I prepared a draft of a plan which I was willing to put into effect, and after a great deal of hesitancy and strong objections, they finally assented to it.

Now, the Attorney General says that he was satisfied the Government had a case against the packers, and that after he had a grand jury investigation in progress, the packers approached him with a view of some sort of an adjustment, and that he informed them he would see them providing they were ready to surrender to the Government.

Mr. BORDERS. That is not quite all.

Mr. VOIGT. That is the substance of what he said.

Mr. VEEDER. Swift & Co. did not approach the Attorney General with the request for this conference. I understand the facts that a representative of Armour & Co. did approach the Attorney General and suggest to him that they have this conference, and it was through Armour & Co. that they informed us the Attorney General would meet us if we came to Washington.

You must understand that, innocent or guilty, a trial of this kind, our experience has taught us, means three months or more of very nervous hard work. It takes us away from our business, and it is something to be avoided if it can be avoided in any event, whether we feel that we are guilty or innocent.

So that I have no reproaches for Mr. Armour or Mr. Armour's representatives for approaching the Attorney General, and I do not think he did it because of any sense of guilt, but because of a sense of innocence and in an effort to avoid the strain, the worry, and trouble of a trial which could result in no other ending than a verdict of not guilty.

As I say, at the very first meeting I was in here in Washington I stated that Swift & Co. could only enter these negotiations which we were about to undertake upon the condition that there should be no finding of fact in any decree which would result from this negotiation, and that we could not and we would not inferentially or otherwise admit any guilt; that if we could find some method of allaying this agitation by sacrificing some part of our business which had been demanded, our dealing in certain lines of groceries, and so on; if we could, as a result of negotiation bring about some situation that would satisfy the public, although we did not intend to and we had not monopolized the breakfast table, we would think that we had done well by entering this negotiation, if we could get such a result.

During the negotiation, which lasted considerably more than two months—I think the Attorney General said about two months; it was over that—the Attorney General demanded that we do certain things, among them that we discontinue distributing through our branch-house system certain lines of groceries and other things. Some things we thought we could not do, but finally consented to do. The result of it was the decree, which was entered in the Supreme Court of the District of Columbia a week before last.

Mr. BORDERS. Mr. Veeder, you keep on speaking of the trial of 1912 having lasted three months. Is it not a fact that it lasted more than six months?

Mr. VEEDER. I think you are right.

Mr. BORDERS. And was not the same question of purchases raised squarely in that case that has been raised before this committee?

Mr. VEEDER. Yes.

Mr. ANDERSON. As a matter of fact, while you are on that, did not the case go off on the proposition that the stock was owned by Armour and Swift and whoever else was in the game individually, and not by these corporations as corporations?

Mr. **Veeder**. That is not true.

Mr. **Anderson**. Was not that question involved in the determination of the suit?

Mr. **Veeder**. That may have been involved. Of course, all these issues go to the jury. The theory of that case——

Mr. **Tincher** (interposing). They all go to the jury, but the court instructs the jury as to the importance of the issues.

Mr. **Veeder**. The court covers the general issues?

Mr. **Tincher**. And did not the court tell the jury whether that was one of the issues they should set up?

Mr. **Veeder**. I do not remember. The principal issue in that case and the principal issue upon which the court instructed the jury was whether these men in the ownership of the National Packing Co., meeting in the directory room of that company, were at the same time undertaking to regulate the business of Armour & Co., Swift & Co., and Morris & Co., so as to make a combination in restraint of trade. The question was not raised as to the legality of the organization of the National Packing Co. In my opinion that was a perfectly legal organization.

Mr. **Tincher**. It would not be your contention at all that the findings of that jury would prohibit a legislative committee from considering the facts connected with the case at all.

Mr. **Veeder**. I am not urging any such objection to this proceeding.

Mr. **Tincher**. Let me see if I understand the little history of this, according to your testimony——

Mr. **Borders** (interposing). Mr. Tincher, before you start, I want to make this statement, that the case of 1912 did not go off on any technical proposition or any technical instruction; it was squarely on the merits.

Mr. **Tincher**. We have agreed among ourselves——

Mr. **Anderson** (interposing). Were the percentage figures presented in that trial?

Mr. **Borders**. They are a matter of record. Mr. Mueller prepared them for the Government and introduced them in evidence—great tables.

Mr. **Tincher**. I will ask now that if you have a copy of the court's instructions in that case I would like to have them go into the record. I want to see what influenced that jury in arriving at that verdict.

Mr. **Veeder**. They are included in a volume of judgments and decrees by the Government Printing Office, but we will be glad to furnish it.

Mr. **Tincher**. I would be glad to have it, in order to determine to what extent the jury were limited by the issues.

Here is what I want to talk to you about a little bit:

It seems you say the first disturbance was caused by the producers claiming you were in a combine—that is the first one you mention; and that resulted in the filing of some suits or actions, and as a result of that, no matter how you tried it, I know that the packers were very well represented and that the counsel did their very best, and if they concluded that it was better to meet the issue by demurrer rather than by evidence, so far as I am concerned I will presume they did the best they could for their clients in meeting the issues.

The Supreme Court of the United States—which I will respect along with the packers until something directs me otherwise—found it necessary to "enjoin and require you and your respective agents to stop the practice of refraining from bidding against each other in the purchase of live stock collusively, and by agreement, to refrain from bidding against each other at the sales; or by combination, conspiracy, or contract raising or lowering prices or fixing uniform prices at which said meats will be sold, either directly or through their respective agents." They enjoin you from "curtailing the quantity of such meats shipped to such markets and agents; or by establishing and maintaining rules for the giving of credit to dealers in certain meats, as charged in the bill, the effect of which rules will be to restrict competition; or by imposing uniform charges for cartage and delivery of certain meats to dealers and consumers, as charged in the bill, the effect of which will be to restrict competition; and from violating the provisions of the act of Congress approved July 2, 1890"——

Mr. **Veeder** (interposing). Suppose you read the rest of that. They permitted us in express terms——

Mr. **Tincher** (interposing). They said nothing can be construed to "prohibit the said defendants from agreeing upon charges for carting and delivery and other incidents connected with local sales, where certain charges are not calculated to have any effect upon competition in the sales and delivery of meat. Nor from establishing and maintaining rules for the giving of credit to dealers where certain rules, in good faith, are calculated solely to protect the defendants against dishonorable or irresponsible dealers;" and they permitted you to curtail the quantity of meat for the purpose of such arrangement, in good faith, to prevent the overaccumulation of meats or perishable articles in such markets, apparently.

Mr. **Veeder**. The word "apparently" was that in the——

Mr. **Tincher** (interposing). "Perishable," I said. [Reading:]

> Nor shall anything herein contained be construed to restrain or interfere with the action of any single company or firm, by its or their officers or agents (whether such officers or agents are themselves personally made parties defendant hereto or not) acting in respect to it for their own corporate or firm business, property or affairs.

Immediately after that decree was entered, you entered into the National Packing Co. about that time, with a view of merging all the packing companies.

Mr. **Veeder**. That was drawn up by three individuals with a view of merging at least three large packing companies or as many more as they could put into it.

Mr. **Tincher**. The producers bitterly complained you were in combination. The Supreme Court found sufficient ground for that complaint and enjoined you from violating certain Federal statutes.

Mr. **Veeder**. It found sufficient ground in the allegations of the bill.

Mr. **Tincher**. I know, but I am presuming that you have been, as are to-day, capable of representing the packers, and had not the charges been true that you would have answered with facts instead of demurrer. Here is what you are charged with—I will ask your opinion of it as an attorney—you were charged with the responsibility of looking it over. If you thought that you could answer the facts and that they were false, there would be no object in entering a demurrer and trying it out; and on that point I am going to assume that you properly represented your client in that case.

Mr. **Veeder**. The assumption that I represented my client as best I could is correct, but the assumption is when a lawyer is opposed with a case which does not set up the necessary jurisdictional facts that he will go to trial on the facts instead of going up on demurrer I can not accept.

Mr. **Tincher**. But you had the right at any step to abandon the demurrer and meet the false accusations.

Mr. **Veeder**. If we had not believed that there was no jurisdiction in the court to maintain the case, we would have abandoned the demurrer and we would have gone to trial.

Mr. **Tincher**. Let us see the consistency of that. Just to show that there was not any truth in the fact you merged; and that the procedure was absolutely in error in accusing you of having affected combination, just to show that after this decree was entered, you started to merge, and you took every step necessary to enter into the greatest combination and corporation that will have existed in the United States by merging all of the big packers.

Mr. **Veeder**. The charge in the bill was that we were engaged in an illegal combination, not in a legal merger.

Mr. **Tincher**. You contend that mergers are legal though the courts may contend they are illegal. But let us find out what happened. After you started into your merger, which you say would have been a legal one, then the men whose duty it was to enforce the laws began to complain of your merger, and they had you arrested, fortunately at home, and you were acquitted by a jury. But things were getting so hot that you agreed to dissolve the merger——

Mr. **Veeder** (interposing). Wait a minute.

Mr. **Tincher**. You went into an agreement to dissolve the merger?

Mr. **Veeder**. Of course, your statement is not quite the way I have stated.

Mr. **Tincher**. Probably it is not the way the Attorney General would state it, either. I am just neutral.

Mr. **Veeder**. I am glad to know you are neutral. I am always glad to appear before an open-minded body. [Laughter.] But, in the first place, there was no attack made on the National that its organization was illegal, and the Supreme Court just the other day held another organization, which was the model for the National, to be legal.

Mr. **Tincher**. I am not talking about that—the conduct of the National. I do not care whether your papers were gotten out right or not. But the conduct of the National was criticized to such an extent that you were indicted by the grand jury, tried, acquitted; and then you say numbers of bills were filed, but you were able to get away with a demurrer, and a number of indictments that were quashed, but you dissolved and agreed to it.

Mr. **Veeder**. Let me call your attention to this, that the jury found that the conduct was not wrongful in any way.

Mr. **Tincher**. I understand that. I have heard that before.

Mr. **Veeder**. As to why we dissolved the National?

Mr. **Tincher**. You have explained that fully.

Mr. **Veeder**. What is your question?

Mr. **Tincher**. You got through with that, and you have decided you would be mortal enemies and competitors and no more mergers.

Mr. **Veeder**. In fact, as we always had been.

Mr. TINCHER. I am satisfied it is reasonable to presume that the stockholders of the National, Mr. Armour, Mr. Swift, and any one that were stockholders in that were still dealing as legitimate competitors as Armour & Co. and Swift & Co., and all that, but it was just for fear that that was a little unreasonable and people would not take that kindly that you dissolved the packing company.

Mr. VEEDER. Because it had been criticized, and we figured that as long as it was there we would continue to be criticized.

Mr. TINCHER. And that it might look a little unreasonable to think that Armour and Swift meeting together as officers of the National Packing Co., interested in the welfare of that company, might forget for the time being their keen competition as Armour & Co., Swift & Co., and so on down the line.

Mr. VEEDER. That seems to have been the suspicion.

Mr. TINCHER. And that, of course, was groundless?

Mr. VEEDER. Oh, absolutely.

Mr. TINCHER. But you concluded, in the interest of public policy, to abandon that organization. Along comes the Federal Trade Commission and investigates you and charges you with being in combination——

Mr. VEEDER (interposing) There is not anything omitted that they could think of.

Mr. TINCHER. Then the Attorney General in that report—was any bill filed against you in Chicago?

Mr. VEEDER. When?

Mr. TINCHER. Last summer.

Mr. VEEDER. No, sir; no bill and no indictment.

Mr. TINCHER. No indictment and no bill were filed?

Mr. VEEDER. No, sir.

Mr. TINCHER. Was there a bill finally filed against you?

Mr. VEEDER. There has been none since 1911.

Mr. TINCHER. How do you get a decree here; that is what I am getting at? Was there not a bill entered?

Mr. VEEDER. I mean up to the recent decree.

Mr. TINCHER. I mean, up to the present time. You always dissolved when you were called; and I wanted to see how you were going to dissolve this time. Was there finally a bill filed here in the Supreme Court of the District of Columbia?

Mr. VEEDER. There was a bill and——

Mr. ANDERSON (interposing). You have three times been dissolved?

Mr. VEEDER (continuing). There was a bill filed, and each of the groups of defendants filed an answer, and it was upon that bill and answer that the decree was entered.

Mr. TINCHER. I want to know if you will put into this record a copy of the bill?

Mr. VEEDER. The printing office over here—that is a pretty voluminous bill, and the five answers and the decree—but the printing office over here is now compiling and printing the bill, all of the answers, and the decree, and binding them under one cover. Those, I understand, will be available from the printing office in a day or two; in fact, I suppose they would have been delivered Saturday.

The Attorney General, when he appears here, will undoubtedly furnish you with copies, as a matter of public record.

Mr. TINCHER. You are already here, and I want to have you do it.

Mr. VEEDER. You have got me.

Mr. **Tincher.** Let us see what was filed in the Supreme Court of the District of Columbia: The bill, the answers of the packers, and the decree?

Mr. **Veeder.** And the stipulation upon which the decree is based.

Mr. **Tincher.** The bill contains charges, is that true, against the packers?

Mr. **Veeder.** Yes, sir.

Mr. **Tincher.** The answer contains denials?

Mr. **Veeder.** Yes, sir.

Mr. **Tincher.** The stipulation contains what?

Mr. **Veeder.** The agreement for the decree.

Mr. **Tincher.** The decree is a conclusion of law of the court, is it? Was there any separate conclusions?

Mr. **Veeder.** It has been a long time since I have read Chitty or Blackstone.

Mr. **Tincher.** You do not have to read them; you could write them. [Laughter.] What I am trying to get at is that you say the court did not find you guilty of anything; that this decree did not presume you are guilty What I want to know is what is in that stipulation that warrants the court in arriving at the conclusions of law.

Mr. **Veeder.** The stipulation is for a decree, and the stipulation provides that the decree shall expressly recite that it does not adjudicate that the defendants have violated any law; furthermore, the stipulation contains a provision that the decree shall not contain any findings of facts and that language—pretty closely quoted—is contained in the decree itself in both respects.

Mr. **Tincher.** You will pardon my apparent enthusiasm about finding out concerning this proceeding, because I am frank to say to you that no other organization nor any other individual of the United States is governed by any such decrees, at least I never heard of anything of the kind.

How did they get the corporations into court in the District of Columbia?

Mr. **Veeder.** They entered appearances as a result of the negotiations with the Attorney General, under which we were to abandon certain lines of business. We did that in the hopes of allaying this agitation.

Mr. **Tincher.** You entered appearance, pursuant to meeting of stockholders which authorized appearance, did you?

Mr. **Veeder.** The attorneys entered their appearances, and it is provided in the stipulation that the ratification of those appearances so entered by the attorneys representing these defendants shall be filed later in the court.

Mr. **Tincher.** Then to-day the decree is absolutely void, is it not?

Mr. **Veeder.** I think not.

Mr. **Tincher.** If your corporation did not meet in Chicago, or if your corporations have not authorized the attorneys to enter appearance, the corporations being clearly a creature of laws and subject to laws the same as other people, there would not be much of a decree, would there?

Mr. **Veeder.** Of course, Mr. Congressman, corporations can only act through agents.

Mr. **Tincher.** And corporations can only act under the law, too.

Mr. VEEDER. And those corporations acting through agents are in the habit of delegating certain authority to their specific officers. For instance, to the president of the corporation is delegated the power to conduct business of the corporation. The law departments are delegated the power, subject to the supervision of the president of the company, to conduct the law business.

Mr. TINCHER. So you are quite sure that the matter has been looked after carefully and that you are properly in court in the District?

Mr. VEEDER. I am quite confident of it.

Mr. TINCHER. It is all covered in the stipulation. Who signs the stipulations, the officers or the attorneys?

Mr. VEEDER. The attorneys.

Mr. TINCHER. They have been authorized to make that stipulation by the corporation?

Mr. VEEDER. Oh, yes; authorized by the officers, and the stipulation provides that later there shall be filed ratification of these entrances of appearances, and the consents to the decree by the corporations acting through their boards of directors by the adoption of proper resolutions, copies of which are to be filed.

Mr. TINCHER. You think that the American public had ought to be satisfied with the laws, that the best they can get is that kind of a proceeding against an institution of your kind?

Mr. VEEDER. I think the American public ought to be satisfied without that decree.

Mr. TINCHER. You will admit that this proceeding here in Washington is novel, unusual?

Mr. VEEDER. No; I do not know about that; it is not at all uncommon.

Mr. TINCHER. You are big enough to say, in other words, to the United States, "You charge me with a violation of law. I will agree to a decree in this case, but in place in the stipulation or in the decree or in the findings of the court or in the judgment of the court must it be intimated that I violated the law."

Mr. VEEDER. Let me say this: That stipulation contains no agreement that there shall be no prosecutions. There was no trade in the stipulation of no prosecutions in consideration of our giving up these businesses. The only purpose we had in making that trade was in an effort to satisfy the public that we were not monopolizing the breakfast table. If we failed in that purpose, we have failed in our decree and negotiations.

Mr. TINCHER. The first complaint was cured by a decree of the United States Supreme Court enjoining you; the second proceeding was that you dissolved combination by decree of the United States Supreme Court enjoining you; and the charge is that you have come down here and agreed that a decree be entered up, but that you must be held up before the public as being absolutely blameless, and you refused to make any concessions, and now you say there is no occasion for the American Congress to pass any laws affecting you, because the next time you will be able to enter a decree or dissolution.

Mr. VEEDER. I say there is no occasion for the American people in Congress assembled to pass any legislation, because the facts do not exist that warrant this.

Mr. **Tincher.** And that you will go ahead as legitimate competitors in business?

Mr. **Veeder.** That we have always done and always will do.

Mr. **Borders.** I want to make this suggestion to you. You are a good lawyer.

Mr. **Tincher.** If I was, I would not have come to Congress to make a living. [Laughter.]

Mr. **Borders.** Let me make this statement. I say to you that the American public have gotten through that decree more than they could have ever gotten through any contested case in court and through any legislation, and I base that statement upon this, that I do not believe—and I think that you will agree with me, and if you do not I would like to have you testify, as a witness, before this committee, after you have investigated this decree very thoroughly—I do not believe that there is any law of this land to-day that says that you can not hold 10 shares of stock in your local bank and at the same time feed 10 head of cattle.

That is the fundamental proposition underlying this decree. It is constructive; it is not based upon the idea of guilt, and there does not have to be that idea of guilt, just because some people do consent to a decree.

The charge was that there was danger of these large packers monopolizing the American table; that they were branching out too large; that they were in unrelated lines. I say, and I say you will as a lawyer, that Mr. Armour or Mr. Swift or Mr. Morris, just as you or any other American citizen, would have the right to pursue two activities. You could not pass legislation here——

Mr. **Tincher** (interposing). In respect to two activities, do you mean to suggest being in the National Packing Co. and being interested in Morris & Co., or Swift & Co., and Armour & Co?

Mr. **Borders.** No, sir; I did not mean that at all, nothing like that.

Mr. **Tincher.** You mean to admit that it would be proper for you to dissolve or the National Packing Co. to cease?

Mr. **Borders.** I was not talking about that at all; I was talking about this decree. The charge was in the public mind that there was danger of these large packers monopolizing the American people by controlling what they called the "substitutes for meat," dealing in groceries and a lot of other articles. These defendants came into court and submitted to a perpetual injunction restraining them from engaging in that business at all; that is the point I make.

Mr. **Tincher.** Here is what I meant to insinuate: I do not think—maybe I am wrong—that the American people ought to be dependent upon court decrees to get their just rights. They have a law-making body, and I think whenever that law-making body gets to sagging back behind what the five big packers are willing to incorporate in a consent decree, it is time to have some hearings and be considering what we ought to have in the way of legislation.

Mr. **Borders.** You are going to a general policy. I made the statement, and I said you as a lawyer would agree with me, and I asked you after they investigated the decree to state to this committee whether you do or do not—and I now repeat that statement, that the American people will get more through this decree than they could get—at least get some things through that decree they would not get—through legislation or contested litigation; and that they will get, because of the attitude and spirit of these packers in wanting to meet the public opinion on that very question and the views of the Government——

Mr. **Tincher** (interposing). There has been, to my mind, two pretty good packers that testified before this committee against this legislation. This decree does not affect them, does it, in any way, shape, or form? Can that be enforced as to them?

Mr. **Borders**. I am glad you mentioned that. One of the greatest charges in this Federal Trade Commission's report is the strength and power of the large packers was such that every other packer in this country existed by their suffrance. If that is true—now, mark you—if that charge is true, it is a very serious charge. If it is true, then I say when you go to questions of public policy it would be to encourage these little packers, would it not? Now, I answer your question directly. That decree only pertains to the five large packers and their subsidiary companies and does not restrain the smaller packers. Do you want to now come in and take from those smaller packers the advantage that they enjoy under that decree? Do you not want to encourage them——

Mr. **Tincher** (interposing). Wait. I want to answer you. I do think I want you to take from the small packer any advantage that he enjoys but I am fool enough to imagine that history may repeat itself, and the five big packers have shown the selves very efficient in the reorganization of companies when any decree gets at all embarrassing to them. What right have we as a congressional committee to depend upon that decree doing something to you in the face of what you did after the decree was issued in 1903?

Mr. **Borders**. You are talking about the smaller packer, and I want to go further——

Mr. **Tincher** (interposing). I am talking about the big packer, too. I say that the decree, so far as the future means of regulating the packers of the United States is concerned, is a joke. There is nothing in the world to hinder you from reorganizing absolutely as you did before, and the Supreme Court of the United States entered the decree against you in 1903 dissolving the National Packing Co., which you say was absolutely legitimate and all right and within the law.

Mr. **Veeder**. This decree is no "joke" as to the five packers giving up parts of their business.

Mr. **Tincher**. I do not mean to reflect on anyone by saying it is a "joke." I do not think the Attorney General is going to ask Congress to treat this decree as a cure for all our future evils. I do not think he is going to ask us to abandon or consider as a reason for not passing proper legislation to regulate the packers. But there is nothing in the world to prevent you from organizing as you did before and getting out from under that decree in 48 hours.

Mr. **Borders**. I want to answer your insinuation on the "joke" proposition, and I want to say now if you will examine this decree and come before this committee and state there is any way on earth to escape or get around that decree on this point—the crux of the whole proposition—the center of the charge was that this distributing system of the large packers gave them such an advantage in the distribution of these unrelated lines that that was the one thing to be corrected. I invite, Mr. Congressman, when you speak of it as a "joke" to examine that decree, and then, as a member of this committee and as a lawyer, state to them whether there is any way on earth that distributing system can be used for the purpose of distributing the unrelated lines. I have every confidence that your answer will be only one thing—I do not think it can be anything else.

I want to come back to the small packer again. As I understood a lot of the witnesses who have testified here, and as I understand this statement in this report—and I want to stamp it as false—this statement that these packers exist by sufferance of the five. Pass that for the minute.

Mr. **Anderson**. Do you know, Mr. Borders, that Mr. Armour said they could put the small packers out of business?

Mr. **Borders**. I do not know what Mr. Armour said in that regard; and I am not responsible for what Mr. Armour says.

Mr. **Tincher**. Mr. Borers is speaking for Morris & Co.

Mr. **Borders**. As I understand it, the theory is to encourage the small packer. The only way you can encourage the small packer is to make it possible for the smaller packer, if he is to become large, to distribute the finished product into great distributing centers; and I say that under this decree—and on that point I ask you to examine it and state as a lawyer and as a member of this committee if it is not a fact—that under that decree as it now stands the small packer would be encouraged and have a decided advantage, because he could use the distributing systems and keep down the expense of that distributing system by handling these unrelated lines, while the big packer can not do it for one moment.

Now, then, if you introduce legislation of a general character that will take in all of the small packers by that legislation you wipe out that advantage which the small packer has; and if it is the purpose to encourage competition and encourage growth and development of the small packer, then I say to you that it is better to leave him alone under this decree, with the advantage that he now enjoys.

My attention was just called to one thing: Of course, you understand in this decree not only the corporations but the individuals, the officers and the stockholders, are made defendants, and the decree runs against them personally as well as against the corporations. There are perhaps 130 or 140 defendants altogether, and the decree runs against their successors and assigns.

Mr. **Tincher**. A corporation does not necessarily, if it wants to go into business, have to have successors.

Mr. **Borders**. I am sorry there is so much suspicion in your mind.

Mr. **Tincher**. It is not suspicion that is in my mind. I was wondering if it was possible for history to repeat itself. I would not call it "suspicion."

The **Chairman**. The committee will now take a recess until 2 o'clock.

(Thereupon, at 12.30 o'clock p. m. the committee recessed until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

Mr. McIsaac. With reference to the discussion on Saturday concerning the relation of the Federal Trade report to foreign trade, this matter was covered by report of the Federal Trade Commission filed with the Senate in July, 1919, in response to Senate resolution No. 114. The report appears in the Congressional Record of July 31, 1919, pages 3629–3638. Senate resolution No. 114 is dated July 10, 1919, and in the Congressional Record of July 27, 1919, at page 1985, of June 28, at page 2199, of July 10, at page 2533, and of July 15 at pages 2718 and 2719, there are further references to the matter in the Senate discussions.

The Chairman. You may proceed, Mr. Morris

Mr. Anderson. Mr. Chairman, before Mr. Morris proceeds, I would like to ask Mr. Veeder a question or two, which I did not have an opportunity to ask him previously.

Mr. Veeder, I understood you to say this morning you were in favor of an investigation at the time the Borland resolution was under consideration.

Mr. Veeder. We had no objection to an investigation at that time; in fact, as I stated, in the meeting in December we agreed to further such an investigation; that is, at that meeting in December at Swift & Co.'s office.

Mr. Anderson. In December; 1916?

Mr. Veeder. In December, 1916, at which the members of the Market Committee and the principals of the packing companies were present.

Mr. Anderson. When did you change your mind about being in favor of an investigation?

Mr. Veeder. I do not think I have changed my mind about it. We had no objection to an investigation and so informed the Federal Trade Commission before any resolution was adopted.

Mr. Anderson. Did you appear before the Committee on the Judiciary at the time it was considering the Borland resolution?

Mr. Veeder. No. sir.

Mr. Anderson. Then you did not sak the Judiciary Committee to provide any means for carrying on this investigation?

Mr. Veeder. We did object to the investigation proposed under the Borland resolution, and under each one of the Borland resolutions, for the reason, as I explained this morning, each one of them charged the packers by name with violations of the law before there had been one step taken toward the investigation.

Mr. Anderson. Well, that is the interpretation which you put on the language of the resolution, is it not?

Mr. Veeder. You will find the specific names given in each one of those resolutions except the last one, which, however, makes the charge that the packers, without naming them specifically, had violated the law.

Mr. Anderson. You did not appear before the Judiciary Committee and ask for any modification of the resolution.

Mr. Veeder. I did not appear before the Judiciary Committee at all, but I did go, while those hearings were on, to the Federal Trade Commission and informed them that we had no objection to that investigation under a proper resolution, and that we had no objection to the investigation being made by that body, and that we did not wish them to get the idea when we were objecting before the Judiciary Committee to the Borland resolutions that in objecting to the Borland resolutions we were objecting to an investigation by them, and I told them that we would be very glad to assist them whether under the Borland resolution or any other resolution or under an order of the President or on their own initiative; that if they had an investigation we would be very glad to assist them and would open to them our books and papers and give them all possible assistance.

Mr. ANDERSON. I want at this point to read in the Borland resolution as it was originally considered by the Committee on the Judiciary, because I think the language is subject to construction by anybody who wants to draw their own conclusions from the language and not from your statement. I do not think the resolution directly charged any of the packers with anything, although it does mention the five large packing concerns by name. This is the original resolution, House Resolution No. 148.

Mr. VEEDER. When was that introduced, please?

Mr. ANDERSON. I have not got the date of it here. These hearings were on April 3, 1916. I do not know when the resolution was introduced. The date is not given here. The resolution reads as follows:

> *Resolved*, That the Federal Trade Commission be, and it is hereby, directed, under the authority of clause D, section 6, of an act entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other pusposes," approved September twenty-sixth, nineteen hundred and fourteen, to investigate and report to the House of Representatives the facts relating to any or all violations of the antitrust laws of the United States by the following corporations, or any of them, to wit: Armour and Company, Cudahy Packing Company, Morris and Company, Swift and Company, and other individuals, firms, and corporations engaged in the slaughter of meat animals and the packing and sale of resultant products, and also of corporations ancillary to their operations, including among other things, stockyards companies, car-holding companies, terminal railways, and financial institutions that lend money on live-stock paper, in respect to any act, combination, agreement, or conspiracy to restrict, depress, or control the price bid for meat animals, or to restrain commerce in meat animals or the products resulting from the butchering of such animals.

Is it your contention that was a charge against the packing firms named in it?

Mr. VEEDER. To single out those five firms and to investigate—what was it—charges or violations of law by them, in my opinion, is——

Mr. ANDERSON (interposing). It does not say investigate violations of law. It says investigate whether——

Mr. VEEDER (interposing). No; the word "whether" was not there.

Mr. ANDERSON. Let me read it:

> To investigate and report to the House of Representatives the facts relating to any or all violations of the antitrust laws of the United States by the following corporations, or any of them, to wit.

I do not think that is a charge that there was any violation of law.

Mr. VEEDER. I do.

Mr. ANDERSON. I think that is a direction to ascertain whether there had been any violation of the law.

Mr. VEEDER. I think it was a charge that there was, and furthermore, at this meeting——

Mr. ANDERSON (interposing). And I want to call your attention to this, this resolution specifically provides that the investigation shall be under clause D of the Federal Trade Commission act, which reads as follows:

> Upon the direction of the President or either House of Congress, to investigate and report the facts relating to any alleged violation of the antitrust acts by any corporation.

Now, it is clear that this was simply a direction to the Federal Trade Commission under the authority of this clause to do the thing it was authorized to do, because it conferred no additional powers upon them at all in determining whether there was a violation of the antitrust laws or not.

Mr. VEEDER. By these named concerns.

Mr. ANDERSON. And any others.

Mr. VEEDER. But by these named concerns. These five concerns were singled out and named. Now, it was conceded at that meeting in December, 1916, at the office of Swift & Co. that an investigation could be made without singling out any parties and charging them in advance with violating the law, and it was conceded that the producers at that time had no evidence that they had violated the law and did not desire to make any charges, but simply wanted to have an investigation made, and the producers themselves, after considerable discussion with the packers, drafted a resolution directing that an investigation be made without charging—and they were the words used in the resolution by the producer—without charging any violations of law but directing that an investigation be made from the calf to the beefsteak, and Mr. Walter Fisher, the attorney for the producers, was instructed to draw up such a resolution to be presented.

Mr. ANDERSON. But none of the packing concerns concerned in this proposition appeared before the Judiciary Committee when this resolution was pending.

Mr. VEEDER. Who said that?

Mr. ANDERSON (continuing). And suggested that they were willing to have an investigation under such a resolution.

Mr. VEEDER. Yes; they appeared and said they were not willing to have an investigation under such a resolution. That is just what they did.

Mr. ANDERSON. They opposed this resolution?

Mr. VEEDER. Yes, sir; and every other resolution. Several of them were introduced that singled them out and charged them with violating the law before one step had been taken toward making any investigation to ascertain whether such was the fact or not.

Mr. ANDERSON. It was apparently impossible for anybody to draft a resolution for an investigation that you were in favor of.

Mr. VEEDER. There is no warrant for that statement. I had stated that we had agreed to further a resolution which was to be drafted by Mr. Fisher which did not charge in specific terms in advance of the investigation that some definite person had violated the law. A resolution could be drawn. I drafted one myself. I submitted it to Mr. Fisher at one time. There is no question——

Mr. ANDERSON (interposing). You had no objection to an investigation if it could be your kind of an investigation?

Mr. VEEDER. No, sir; I simply insisted that the packing companies should not be named in advance of an investigation as violating the law.

Mr. **Anderson**. Are you familiar with the report made by R. C. McManus and J. N. Chaplin and Arthur D. White to the various packing concerns?

Mr. **Veeder**. Yes, sir.

Mr. **Anderson**. Were you in favor of the kind of investigation proposed in that report?

Mr. **Veeder**. I do not remember now.

Mr. **Anderson**. Well, were you in favor of "getting something cooperative started which could not be finished for some time?"

Mr. **Veeder**. If in that way we could avoid an investigation under this resolution, yes; but I was also in favor, as was stated at the December, 1916, meeting, of getting a resolution which would direct an investigation of the industry without in advance charging anybody with having violated the law.

Mr. **Anderson**. You were in favor of "so combining the question of the packers investigation with the more comprehensive scheme mentioned by Mr. Fisher"—I quote the language of this report—"that the whole undertaking will appear so colossal as to be unattractive."

Mr. **Veeder**. At that December meeting—this was earlier and it was before the market committee and the packers had come together. I had nothing to do with the drafting of that letter. I am familiar with it simply because I have seen it, but I had nothing to do with the drafting of it, and I am stating to you what were the views of the packers and what were my views of the situation, and I had several conferences with Mr. Walter Fisher, in which I submitted a bill to him which, in my opinion, would have been just as effective in making the investigation, but did not charge in advance of the investigation that certain people had violated the law.

Mr. **Anderson**. You had several interviews with the Federal Trade Commission prior to the passage of the Borland resolution as to the character of the investigation which should be undertaken, did you not?

Mr. **Veeder**. I think I did, and I think I even wrote some letters to them in which I went on record to that effect.

Mr. **Anderson**. There is not any record, so far as I know, of any such letter.

Mr. **Veeder**. Then the letters were signed by Mr. Swift.

Mr. **Anderson**. There is a letter here signed by you addressed to Louis F. Swift, which I find on page 307 of volume 3 of the Federal Trade Commission's Report, which indicates in part the kind of investigation you were in favor of:

Mr. Louis F. Swift,
President Swift & Co.,
Chicago.

BORLAND RESOLUTION.

Dear Sir: I was in Washington Thursday and Friday, July 13 and 14. While there I called upon Senator Wadsworth, Representative Mann, and Chairman of the Federal Trade Commission Hurley. I learned that the Borland resolution will not be taken up for consideration by the House of Representatives at this session of Congress.

I do not know where you got that information.

Mr. **Veeder**. Nor do I.

Mr. **Anderson** (continuing reading):

> I also was informed that if the Federal Trade Commission should be instructed to make an investigation under this resolution, they would make such investigation as though it were an investigation originating with the commission; that is, that the investigation will be made by the Federal Trade Commission's own examiners and employees without publicity.

That is one of the things desired, to have an investigation without publicity. [Continuing reading:]

> And directly with the concerns or the industry to be investigated, and that, under no circumstances, will there be, during this investigation, public hearings at which attorneys may participate or at which they may examine or cross-examine witnesses.

One of the things you desired in this investigation was to have it so conducted that there would be no publicity about it and so that there would be no opportunity to cross-examine such witnesses as you might present.

Mr. **Veeder**. That is not so.

Mr. **Anderson**. Then you were not in favor of the kind of investigation you are referring to here?

Mr. **Veeder**. Yes; I was. There is no inconsistency in the two positions. This commission has the power to make an investigation. What we asked for was that the commission would not make an ex parte investigation, hand pick the facts, publish those facts, and give us no opportunity to explain or to put in defensive facts. It is the duty of the commission to make an investigation, but I do not conceive, after making a one-sided investigation, it is their duty to publish those facts. That is what was done. What we asked for in advance of that investigation was that before the facts were published, before we were condemned, we have a hearing, and we never had the hearing.

Mr. **Anderson**. You never asked for any hearing.

Mr. **Veeder**. We did ask for a hearing, and Mr. Weld, here, put in some of the letters which we wrote demanding that we have a fair investigation. And, furthermore, in my interviews with the commission at that time, the reason I stated to them that we did not think they should publish the facts was that we should have a chance to have a hearing before the facts were published. I stated it right then and there to the commission—to the three members of it.

Mr. **Anderson**. I have read the hearings before the Judiciary Committee, and I am unable to find anything in those hearings which indicated that you or any other person who appeared for any of the packers was in favor of any sort of an investigation.

Mr. **Veeder**. I do not remember whether at that meeting we stated that we would favor an investigation that was a fair and square investigation or not, but we were opposing that resolution for the reasons I have stated here, that we were in this bill singled out of all this country before a step had been taken to make the investigation and charged with having violated the law. That is what we were opposed to, and while that investigation was going on I was over at the Federal Trade Commission talking with those members there and telling them that we would welcome a fair, square investigation, no matter upon what terms or no matter upon what authority it reached them.

Mr. **Anderson**. When you were referring to an investigation, you were referring to the kind of investigation suggested in this report.

Mr. **Veeder**. And in December, 1916, at the meeting with the market committee, we agreed with them for an investigation, and told them we had no objection to an investigation that did not hold us up in advance as criminals.

Mr. **Anderson**. As a matter of fact, did you not advocate, if you advocated any investigation at all, an investigation by the Agricultural Department?

Mr. **Veeder**. Well, we advocated that, too. We had no objection to which department it was under, whether it was the Federal Trade Commission or not, and we so told the Federal Trade Commission, that we had no objection to an investigation by any other department, whether it was the Agricultural Department, the Federal Trade Commission, the Department of Justice, or any other department.

Mr. **Anderson**. As a matter of fact, did you not try to get an investigation through the Agricultural Department in order to head off this investigation by the Federal Trade Commission under the Borland resolution?

Mr. **Veeder**. No; we did everything we could to prevent an investigation under the Borland resolution which charged us with crime before a step had been taken toward making the investigation. I say that.

Mr. **Anderson**. And among the things you did was to try to get an investigation through the Agricultural Department?

Mr. **Veeder**. Yes; to let it be a general investigation and investigate the industry. We were perfectly willing at any time. That just proves what I say, that we were perfectly willing to go into any investigation by anybody or any commission or committee that would be an investigation without first charging that we had violated the law.

Mr. **Anderson**. What you wanted was an economic, constructive investigation, as you called it?

Mr. **Veeder**. Yes.

Mr. **Anderson**. By the Agricultural Department, which would not go into the question of whether or not you had violated the antitrust law.

Mr. **Veeder**. No; that is not correct. That department, if they found the law had been violated, could turn the facts over to the Department of Justice.

Mr. **Anderson**. It had no powers to get any such information. It has no power to subpœna witnesses.

Mr. **Veeder**. So far as we were concerned, they would not have needed any power to subpœna witnesses.

Mr. **Anderson**. No; not if they wanted to take whatever testimony you were willing to offer. That is the kind of investigation you wanted.

Mr. **Veeder**. We did not object to an investigation by the Federal Trade Commission, and as I told you, we were over there saying we did not object to that. The one thing we objected to was being charged in advance of any investigation with being criminals.

Mr. **Anderson**. Why did you not take that position before the Judiciary Committee?

Mr. **Veeder**. We did. We took that position everywhere.

Mr. **Anderson**. Mr. Borders took the flat position before the Judiciary Committee that he was against any investigation.

Mr. VEEDER. I was not present at the Judiciary hearings, but I do know that while those hearings were on, I was over at the Federal Trade Commission office stating we did not object to an investigation that did not hold us out as criminals.

Mr. ANDERSON. At that time the only investigation you could have had would have been one on the Federal Trade Commission's own initiative.

Mr. VEEDER. Where did you get that idea?

Mr. ANDERSON. Is not that true?

Mr. VEEDER. One was made upon the President's letter of instruction.

Mr. ANDERSON. Yes.

Mr. VEEDER. So the Federal Trade Commission was not the only way. The law was not amended between the time of our meeting in December and the time the President wrote that letter in April, 1917. There was no amendment to the law in that time.

Mr. ANDERSON. I did not say there was. I say the investigation you had in mind then was an investigation upon the Federal Trade Commission's own initiative, and not one directed by Congress.

Mr. VEEDER. That might be, but I stated to them that it did not make any difference whether the investigation was ordered by the President, by the Congress, or upon the Federal Trade Commission's own initiative, the only thing we stipulated was that we be not held up as criminals before the investigation began.

Mr. ANDERSON. Well, the only thing you stipulated was to be your kind of an investigation.

Mr. VEEDER. I wanted an American investigation, a fair investigation, and a square investigation.

Mr. ANDERSON. That is all.

Mr. VEEDER. And that we were entitled to, and we did not get it.

The CHAIRMAN. Mr. Morris, you may proceed.

STATEMENT OF MR. R. A. MORRIS, OF EL PASO, TEX.—Resumed.

Mr. MORRIS. Are there any questions you gentlemen wish to ask? I would just add to my statement this morning that I have had considerable experience in marketing cattle at the various markets, Fort Worth, Kansas City, Denver, not very many in Chicago, a good many hundred cars, and that my experience has been that when there was not enough to go around the demand was a little stronger, and when there were too many, it was weaker, and the sales were always satisfactory.

Mr. RAINEY. Did you find competition in those markets?

Mr. MORRIS. Absolutely.

Mr. RAINEY. Do you ship direct to a commission man?

Mr. MORRIS. Yes; usually.

Mr. RAINEY. Do you sometimes accompany the shipments?

Mr. MORRIS. Sometimes.

Mr. RAINEY. And when you accompanied the shipments did you keep in touch with your commission man while he was receiving bids on your stock?

Mr. MORRIS. Sometimes; yes.

Mr. RAINEY. Did you ever enjoy the experience when only one of the large packers would bid on your live stock?

Mr. MORRIS. Not that I could specifically state.

Mr. RAINEY. Did you ever experience the situation where the five large packers would bid and all bid the same price?

Mr. MORRIS. No, sir.

Mr. RAINEY. You found competition to exist among the large packers?

Mr. MORRIS. Absolutely; yes, sir. As I have said, if there was a light run, the competition was more spirited and it depended a great deal on the kind of cattle. Of course, sometimes a man would ship cattle that would not go to the country at all, and there would be no demand in the country, then there would be less outside buyers for those cattle or in fact, there would be none, and it would be a case of selling to some one of the packers; for instance, canner cows. No one could use them, when if you had stocker steers and feeder stuff that would be all right to go back to the country, they would perhaps be bought by outside buyers or country buyers, but as far as there being any combination between packers to pay a stated price for any certain kind of cattle, if such an agreement existed at all, I had no means of knowing it or for suspecting such a thing.

Mr. RAINEY. You spoke this morning of membership in an organization; what organization is that, Mr. Morris?

Mr. MORRIS. The Panhandle Cattle Raisers Association and also the Texas Cattle Raisers Association.

Mr. RAINEY. I think the Texas Cattle Raisers Association was referred to as passing a resolution in favor of legislation of this kind. How many members are in that organization, do you know?

Mr. MORRIS. Well, I do not know, but I presume there are more than 3,000. I think I would be safe in saying that there are more than 3,000 members in the cattle raisers association.

Mr. RAINEY. You come in contact with a number of the members of that organization?

Mr. MORRIS. A great many of the western members; yes, sir.

Mr. RAINEY. What has been your experience in personal contact with those members; do you think that they favor legislation of this kind?

Mr. MORRIS. Well, my personal experience with the cattle men throughout my part of the country is that they are adverse to any agitation or legislation which has, in the past, always brought about uncertainty and had a tendency to depress trading and create anything but a brisk demand.

Mr. RAINEY. Do you think this resolution represents a majority opinion of the members of that organization?

Mr. MORRIS. Well, naturally, I have no personal means of knowing, but those resolutions are usually gotten up by a committee that always does not express the majority opinion of the membership; in fact, I have no idea that at any recent meeting of the Texas Cattle Raisers Association there was anything like a majority of the membership present; in fact, I have not been at a meeting in two years myself.

Mr. MCLAUGHLIN, of Nebraska. Mr. Morris, is it not reasonable for a committee of this kind to believe that where an association like the Texas Cattle Raisers Association has, on the part of the delegates present at its meeting, passed a unanimous resolution favoring some sort of legislation along these lines, unanimously by those present, is it not fair on our part to believe that they represent a majority of those in the organization?

Mr. MORRIS. That would be a natural inference.

Mr. MCLAUGHLIN of Nebraska. Do you believe that with those you have conversed, individually, your testimony as an individual or of any other person as an individual, who brings a report different from what your association adopted, should have more weight with this committee than the resolution of the association?

Mr. MORRIS. Well, now, personally—you ask for my personal opinion and that is all I could give—I feel sure that if a poll were taken of the membership of either the Texas Cattle Raisers Association or the Panhandle and Southwestern Cattle Growers Association, if they knew just what this proposed legislation was, that it would be unanimously in favor of just stopping it right now. I feel positively that I am right in believing that. Of course, as I say, that is my personal opinion, but I feel just as confident of it as that I am sitting in this chair.

Mr. YOUNG. As I understood you, you cattle producers fear any kind of agitation because it does affect your immediate market.

Mr. MORRIS. Well, that is my idea of the past performances.

Mr. YOUNG. That is very naturally true. We have observed that same kind of feeling here frequently, in the 10 years I have been in Congress, when any general piece of legislation has been before either body of Congress. To illustrate, when Congress undertook to write a new banking law, and the bankers, as a rule, are pretty conservative, as you know——

Mr. MORRIS. Yes, sir.

Mr. YOUNG. So far as outside sentiment could be heard from, the bankers seemed to be pretty universally opposed to interfering with the then present status of things. They wanted to run along under the old system and under the old laws. They did not welcome this agitation. They did not know what a new system would bring, and rather than to try something new, they were willing to go on under the old régime; but Congress did pass such a law.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. And I do not suppose now you could find a banker in our whole section of the country who would be willing to return to the old system, do you?

Mr. MORRIS. No; I have no idea you could.

Mr. YOUNG. So that when a considerable number of stock producers all over the nation, who have been dissatisfied with the past methods under which they have had to dispose of their live stock begin to agitate this subject, it reaches Congress in a perfectly legitimate kind of way, and naturally, when you go into those things, there is agitation, which has a direct effect, no doubt, on the market.

Mr. MORRIS. It certainly has.

Mr. YOUNG. Now, because it happens to have that direct effect on the market, is that any reason why, if Congress should find that wrong practices have been indulged in by those packers, Congress should be deterred in doing its duty in trying to remedy those practices by some kind of enactment?

Mr. MORRIS. Well, of course, I am not in a position to positively contradict the statment about there having been any wrong practices, but that is what I do not believe.

Mr. YOUNG. There has been a feeling to that effect, you must admit, over the country.

Mr. MORRIS. Yes; there has been. Of course, as I say, I can only speak from my individual experience, and it has been quite extensive; in fact, I have spent my whole life in the cattle business and never did anything else, and am pretty well acquainted with the end of the business in the section of country from which I come, and as I say, we have had a number of times this packer agitation and we have never seen anything but adverse results for the cattle men. We have never been benefited one bit by it so far.

Mr. YOUNG. For the reason, probably, that there has been no legislation attempted.

Mr. MORRIS. Well, I do not know. Of course, I am not an expert on this packer line and do not pretend to be.

Mr. YOUNG. There has been no legislation covering the packer situation at all?

Mr. MORRIS. No, sir.

Mr. MCLAUGHLIN of Nebraska. Right there, Mr. Young, it was brought out this morning that during nearly all the time of these investigations which have been pending the price of live stock has been on the increase. I do not know how any one can arrive at a deduction, with all the factors in mind, that these investigations or any proposed legislation has had a depressing effect on the market. The fact of the business is the price has been increasing right along.

Mr. MORRIS. Of course, the recent advances of the past three years, as we all understand, have been due to war conditions absolutely.

Mr. MCLAUGHLIN of Nebraska. Even at that, and admitting that it has been due to the war conditions, the fact of the business is that the price has risen steadily. Then how can it be said, under any circumstances, that these investigations have depressed the market. The market has not been depressed according to the testimony.

Mr. MORRIS. Well, certainly the market is not very active at this time; anything else but so. Take about $3.50 a hundred or $35 a head off of a steer compared with one year ago and you get just about the net result.

Mr. YOUNG. Mr. Morris, you come from the cattle belt of Texas. I am up in the other end of the State, which is not the real cattle belt, although we have produced some cattle. My home is up at Kaufman, 30 miles from Dallas.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. And for practically 30 years I have lived there. During all the early part of that time there were quite a number of people who handled cattle all through Kaufman.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. You probably know Mr. Carter.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. He is a rather large handler of cattle. During the early part of that period, when I began to live in that section of the country, as I say, quite a number of people, I would say hundreds of them in that county, produced more or less cattle, some just a carload, while others would fatten perhaps two carloads and some a solid trainload. You know about how that would be.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. Now, this is my personal observation of the matter in my immediate section where those cattle were bred. There was quite a good deal of surplus grass in the early part of that period.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. And there were the oil mills in the county and the surrounding counties through whose pens these cattle were fed out. There was your feedstuff fed locally. Year after year, as the years went by, these men dropped out of the business one at a time, one at a time, and so on.

Mr. MORRIS. Those feeders?

Mr. YOUNG. Yes; those feeders.

Mr. MORRIS. Did you know old Maj. Dale?

Mr. YOUNG. No; I did not know him.

Mr. MORRIS. Or Bonham?

Mr. YOUNG. No; I did not know him personally.

Mr. MORRIS. He was a big feeder about 25 or 30 years ago, and his son is still conducting the business.

Mr. YOUNG. Yes; and Carter is still feeding some cattle in my county, but I am talking now about the average fellow. Some of the big men have stayed in the business, but those small men have all gone out of the business and those feed lots are absolutely torn away, and our people have gone into something else, and their one complaint was that one year they would go into the market and they would make some little profit, and the very next year they would lose that profit and then some.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. And I know them to be successful business men. I know them personally and have associated with them, and I know that they succeeded in other lines of business.

Mr. MORRIS. Yes, sir.

Mr. YOUNG. But they made the universal complaint that they could not beat the game and they quit it. Now, what was the trouble?

Mr. MORRIS. You say some of the big ones have gone out. I know some of the little ones that have grown mighty big in that same line, just right along.

Mr. YOUNG. The whole cattle business has disappeared from that section. It is not there now.

Mr. MORRIS. The good, honest farmer drove them out. They made the land worth so much money that they could not afford to graze cattle on it. They raise this corn and sell it for $1.50 a bushel and how could they afford to graze cattle?

Mr. YOUNG. Is that exactly logical, that these people who gave up the feed lots and have had to go to other sections of the country and buy this oil-mill feed supply and ship it hundreds of miles to be fed into these cattle, and then ship them out, rather than feed them right there on the ground?

Mr. MORRIS. Yes; but you must bear in mind the fact that when and becomes worth $30 or $40 or $50 or $60 the acre, you can not possibly graze a steer on it, when there is so much cheaper land that is in that arid district.

Mr. Young. It is not so much the grazing end of it that I am discussing as the feeding end of it. I am referring to finished cattle.

Mr. Morris. Well, another thing that has perhaps lessened the cattle in the feed lots in Texas in the last year or two has been the very high price at which meal and hulls have sold. I fed a big string of cattle at Oklahoma City, about 5,000 head, about 10 years ago now, for which I paid $3.25 a ton for hulls, and I think $21 for meal. That same meal now is selling for about $70 or $75 a ton and hulls have sold in the past year or two for as much as $25 a ton. There is now such a great demand for them. I understood they used hulls a great deal in making explosives during the war. I think there was a great deal of it taken then for that purpose.

Mr. Young. They did cut the lint more closely.

Mr. Morris. Naturally, a man who had been feeding cattle on cake at $25 or $30 a ton hesitated to pay twice or three times that much for feed and try it.

Mr. Young. But these people I am talking about all went out of business before the high prices of this oil-mill product; that is, in my section of the country.

Mr. Morris. Well, there are people who went out of the cotton-raising business. I remember when cotton sold for 5 and 6 cents a pound, and then there was not any money in it.

Mr. Lightfoot. Mr. Young, is the same thing true with respect to hogs in the territory you refer to?

Mr. Young. Well, in my immediate section we do not produce any hogs of any consequence for shipment, and I am not familiar with the hog end of it. That prairie section is not very much of a hog section. After you get farther back to the east there are more hogs produced, so I am not personally familiar with the history of the hog market in that section.

Mr. Morris. Was there anything further, gentlemen? I do not want to take up your time longer.

Mr. Anderson. I would like to ask you a question or two, if I may. I understood you to say, Mr. Morris, that you did not think the packers had been guilty of any bad practices on the markets.

Mr. Morris. Not to my knowledge.

Mr. Anderson. You are limiting it now by saying that if there have been any bad practices you do not know anything about them.

Mr. Morris. Well, Congressman, I have, as I say, shipped a great many acattle in the last few years, several hundred cars every year, and if there has been any bad practice, as you say, I have not had occasion to notice it at all.

Mr. Anderson. In the report of the Federal Trade Commission, page 94, there is a petition addressed or signed by 74 commission firms of Chicago, and addressed to the packers, dated Chicago, Ill., April 11, 1916. I will read only the first paragraph:

> We, the undersigned live-stock commission merchants on the great Chicago live-stock market, representing literally thousands and thousands of producers of live stock and dealers therein, join in sending you this protest; first, against methods that have been used lately to influence violent price fluctuations apparently not warranted by the natural operations of supply and demand; second, against the conditions under which the market is now forced to operate.

You think that the practices against which these commission men were complaining were entirely imaginary?

Mr. Morris. Well, Congressman, I will frankly state that I do not know about those conditions. As I say, I can only speak from my personal experiences. I know there are quite violent fluctuations in the cattle market at times, with apparently good reasons, when there are unusually heavy runs.

Mr. Anderson. At a hearing before the Bureau of Markets, Mr. A. D. de Ricqles, the chairman of the committee on stockyards of the National Livestock Association, testified to a series of seven practices or seven situations which he thought ought to be corrected. They are as follows:

1. A more even distribution of receipts on five days of the week. This would prevent delays at terminals and enable the business to be transacted at less expense.
2. A weekly publication by the Government of data as to the meat supply on hand.
3. The establishment of public abattoirs in connection with public stockyards.
4. Slaughterers to relinquish so far as possible their interest in and control of stockyards and other instrumentalities involved in the marketing of live stock.
5. Commission houses not to serve as both seller and buyer of the same stock, and to sell direct to country purchasers.
6. Federal and State supervision of the methods and practices at the central markets.
7. A greater cooperation toward the end of securing unrestricted competition.

Do you think that report was based entirely upon imaginary conditions?

Mr. Morris. Well, I would not say that. I am not in a position to know about that report at all. I can only speak from my personal experience. If there has been any bad practice, I have never been the victim of it.

Mr. Anderson. Where do you ship?

Mr. Morris. I ship quite a good many cattle to Kansas City and a great many to Denver, and also to Fort Worth.

Mr. Anderson. To what extent do you ship to Fort Worth?

Mr. Morris. Well, I presume—I did not ship as many cattle last fall as the fall before. The fall before I would say I shipped to Fort Worth about 150 cars of cattle.

Mr. Anderson. One hundred and fifty cars of cattle to Fort Worth?

Mr. Morris. Yes, sir. I would not say that was the absolute number, but that is within 8 or 10 or 15 cars.

Mr. Anderson. I am not trying to hold you to exact figures.

Mr. Morris. Yes. And to Kansas City perhaps 350 cars in the same time.

Mr. Anderson. Why do you ship to Kansas City in preference to Fort Worth?

Mr. Morris. Well, if they are getting more of the class of cattle that I have to market at Fort Worth or more than the market takes care of readily, I naturally go to Kansas City and vice versa. If I have a stock of steers that I expect to go to the northern ranges in the spring of the year, I send them to Denver. I send hundreds of cars of cattle to Denver. I go to wherever I think I will do the best.

Mr. Anderson. And you go to Kansas City because there are more buyers there?

Mr. Morris. Well, as I say, I go to Kansas City and also to St. Joe; if, for instance, the kind of cattle I have are in more request at Kansas City, I naturally send them there. I keep posted as to the different markets and ship where I think they will bring the best results.

Mr. ANDERSON. Have you ever sold beef cattle to other than one of the Big Five?

Mr. MORRIS. Yes; I have sold them to so many people I could not begin to name them.

Mr. ANDERSON. You frequently, then, sell to buyers other than the Big Five?

Mr. MORRIS. Yes, sir; speculators and eastern shippers. It just depends upon the kind of cattle I have.

Mr. ANDERSON. If the speculators and the buyers outside of the Big Five were taken out of the market, do you think there would be any competition there?

Mr. MORRIS. Well, I think there would be a great deal less competition.

Mr. ANDERSON. I just wondered on what basis you make that statement, in view of the fact, for instance, that at Fort Worth, I understand, Swift and Armour buy 95 per cent of the cattle, and I wondered how you could say there will be a great deal less competition if you take away 5 per cent of the buying on that market.

Mr. MORRIS. Now, I would not pretend to contradict statistics, but I question whether Swift and Armour do buy 95 per cent of all the cattle that arrive at Fort Worth.

Mr. ANDERSON. You are very sure there would be a great deal less competition if the so-called independent buyers were out of that market?

Mr. MORRIS. Absolutely, naturally. I have heard the statement made by men who were in the cattle business that they did not want to see the cattle sold to a speculator even, for what reason, I could not imagine. I do not conceive of a man being sane and objecting to having anyone bid on his cattle; in fact, a gentleman on the stand the other day, I noticed, was criticizing the statement that his cattle had been sold to one man and then sold the next day for an advance. That would be very reasonable and not at all out of line.

Mr. ANDERSON. You think it does not make any difference from the producer's point of view how many commissions are made on the cattle before they reach the packer's hands?

Mr. MORRIS. Well, I do not see why it should make any difference at all to the producer if the cattle changed hands several times, any more so——

Mr. ANDERSON. I just wanted to get your point of view. I did not care to argue it with you.

Mr. MORRIS (continuing). Any more than a suit of clothes or anything else.

Mr. ANDERSON. I understood you to say you had not been present at the meetings of the Texas Cattle Growers' Association for two years past?

Mr. MORRIS. Yes, sir; that is correct.

Mr. ANDERSON. So when you undertake to say what the conditions were under which that resolution was passed, to which reference has been made, you do not know anything about it, do you?

Mr. MORRIS. I was speaking about what my opinion was of the attitude of the cattlemen in general.

Mr. ANDERSON. You think that the cattlemen who were present at this meeting, I take it, were not representative of the cattle growers generally?

Mr. MORRIS. No; I did not pretend to make that statement at all, sir. Not having been there myself, I would not be in a position to, but it would be entirely possible for a majority of the members of most any such rural organization as that, you might say—for a resolution to be passed and a majority of the members not know anything about it, for that matter.

Mr. ANDERSON. You just think that maybe some sharp members of this association put something over on them, do you?

Mr. MORRIS. Well, now, that is just entirely possible.

Mr. ANDERSON. Have you testified at any of the other hearings on these bills?

Mr. MORRIS. No, sir; not guilty.

Mr. ANDERSON. That is all.

Mr. RAINEY. Mr. Morris, suppose Congress decides to enact legislation, would you favor the appointment of a commission and the licensing of the packers?

Mr. MORRIS. I would not. I would not favor any commission form of regulation.

Mr. ANDERSON. You are against any legislation?

Mr. MORRIS. Too much of it; yes, sir.

Mr. ANDERSON. You think there is too much regulation of business anyhow.

Mr. MORRIS. Just a lot of letting alone will do this cattle business a lot of good, I think.

Mr. RAINEY. You are not against legislation if it is discovered——

Mr. MORRIS (interposing). That is it essential; no.

Mr. RAINEY (continuing). The packers were committing acts in violation of law.

Mr. MORRIS. No; I would not be, certainly not.

Mr. RAINEY. And you favor any legislation for the producers that is essential or beneficial.

Mr. MORRIS. And beneficial, yes; decidedly.

Mr. ANDERSON. Can you think of any legislation that will be benificial to the industry or to you?

Mr. MORRIS. A good big rain through Kansas would help right now.

Mr. ANDERSON. We are talking about legislation.

Mr. MORRIS. No, sir; I would not propose to dictate any legislation.

Mr. ANDERSON. Have you read the report of the Federal Trade Commission?

Mr. MORRIS. A synopsis of it. I have not read it all.

Mr. ANDERSON. A synopsis; what do you mean by that?

Mr. MORRIS. I mean I glanced through it. I have not made a study of it; sir.

Mr. ANDERSON. That is all.

Mr. BORDERS. Mr. Chairman, this morning, when we were discussing the effect of agitation on consumption, you will recall I made the statement that the consumption of meat had declined in this country?

The CHAIRMAN. Yes.

Mr. BORDERS. And that I thought the Department of Agriculture had just issued a report to that effect, and I believe you asked me when I obtained it, to read it in the record, and I would like to do that now. This is a very fresh report and ought to throw some light on this question. [Reading:]

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MEAT PRODUCTION LOWERED BUT 1919 STILL RANKS HIGH—DEPARTMENT OF AGRICULTURE RECORDS SHOW HEAVY DECLINE IN BEEF—MORE VEAL, MUTTON, LAMB, AND PORK SLAUGHTERED.

The United States consumed several pounds less per person of beef in 1919 than in 1918. At the same time, its exports of beef declined 56.8 per cent from the previous year. The United States Department of Agriculture attributes the decline in domestic consumption to high retail prices and the falling off of exports to the fact that the European countries which took so much American beef during the war are returning to the cheaper sources of supply in South America and Australia. The decrease in beef was so large as to bring down the total meat production 4 per cent lower than in 1918, in spite of the fact that production increased greatly in pork and considerably in mutton and lamb and veal.

Exports of pork and lard in 1919 were unparalleled. The exports were equivalent to 18,000,000 hogs weighing 200 pounds each. A million more hogs were slaughtered than in 1918. Domestic consumption of lard declined to the extent of 2 pounds per person.

The slaughter of calves in 1919 was greater than ever before—1,250,000 head more than in 1918. The drought in the West is ascribed as one of the main causes of so many calves being marketed. Veal is not exported and domestic consumption increased about 1 pound per person.

Twenty per cent more mutton and lamb meat were produced in 1919 than in 1918, but the consumption of mutton and lamb is so small that the increase meant only 1 pound per person. This source of meat supply, which decreased steadily for many years, has been on the upward trend since 1917.

These facts are given by the Bureau of Animal Industry, United States Department of Agriculture, in its annual analysis of the meat situation, made public to-day.

The outstanding features of the meat situation during 1919 were a heavy decline in beef slaughtered with corresponding loss in beef exports, and a great increase in the exports of pork products, although the swine slaughter was ouly slightly larger than the previous year.

The slump in beef was to some extent offset by substantial increases in the slaughter of veal and of mutton and lamb and the increase in pork just mentioned. But on the whole the decrease in beef was so large as to bring down the total meat production 4 per cent lower than in 1918.

By weight, in terms of dressed meat (without lard), the total slaughter in 1918 yielded a little over 18,000,000,000 pounds and in 1919 a little under 17,333,333,333 pounds. The difference was about 715,000,000 pounds.

This seems a large quantity of meat, but nation-wide computations in these times are apt to be in colossal terms, and it must be remembered that the unprecedented total for 1918 was wrought under the impetus of a great war effort, when all production records were shattered. Considering that the armistice had been signed before the close of 1918 and that the conditions facing breeders and feeders were full of uncertainty, last year's production must be rated as a great achievement, since it far exceeded that of any other year previous to 1918.

PORK AND LARD EXPORTS UNPARALLELED.

Exports of pork and lard in 1919 were unparalleled in the history of our foreign trade. Total shipments amounted to 1,897,198,000 pounds of pork (mostly bacon and hams) and 784,946,000 pounds of lard. The magnitude of this single branch of our export trade is not easy to realize. Stated in terms of live animals averaging 200 pounds in weight, this quantity of products would represent a herd of approximately 18,000,000 hogs, and therefore one such hog would be "deported" every 1¾ seconds throughout the entire year.

The two factors previously mentioned—restricted beef supply and heavy shipments of pork products—had some effect on the home meat consumption, which in total fell from 150 pounds per capita in 1918 to 142 pounds in 1919, a decline of 5.4 per cent. Last year's figure nevertheless was 12 pounds higher than that of 1917, when the people partly abstained from eating meat.

There was a sharp decrease in lard consumption during 1919, amounting to 2 pounds a person, but there was also a relatively large increase in the consumption of mutton and lamb. As a whole, however, the fundamental reason for the decreased meat consumption in 1919 may likely be found in the high retail prices which prevailed throughout the greater part of the year.

The Bureau of Animal Industry annually issues tables showing the salient facts connected with the meat industry of the Nation. The information includes numbers and average weights of animals slaughtered, under the Federal inspection and otherwise, quantity of each kind of meat produced and consumed, exports and imports, etc. Tables covering the calendar years 1914 to 1919 are now available and may be had on request.

CATTLE SLAUGHTER FELL 14 PER CENT.

About 2,000,000 fewer beeves were slaughtered last year than in 1918. It is estimated that the cattle yielded 6,571,227,000 pounds of dressed beef in 1919, as against 7,640,712,000 pounds in 1918, which is a decrease of 14 per cent. The lowest yield in the last six years was 5,638,565,000 pounds in 1914, after which there was a gradual rise each year, culminating in the big record of 1918. Last year's total goes back to slightly below that of 1917. Approximately three-fourths of the cattle slaughtered is now conducted under Government inspection.

Relatively the most striking item of all the meat exports in 1919 was the falling off in beef shipments. Compared with 1918 the decrease was 56.8 per cent, the respective totals being 728,236,000 pounds in 1918 and 314,381,000 pounds in 1919. Beef exports from the United States, however, have been almost wholly coincident with Europe's war needs. The trade, it is predicted, will revert to the sources of cheaper beef from South America and Australia.

Home consumption of beef decreased 11.7 per cent in 1919.

Mr. McLAUGHLIN of Nebraska. As compared with what?

Mr. BORDERS. 1918.

Mr. McLAUGHLIN of Nebraska. How does that compare with the years prior to 1918?

Mr. BORDERS. You understand, Congressman, as stated above here that the people were taught by the Government not to eat meat, and it was lower.

Mr. McLAUGHLIN of Nebraska. 1918 was 12 per cent higher than former years?

Mr. ANDERSON. Twenty-one pounds higher than 1917.

Mr. BORDERS. There is a table of the meat consumed in 1917, 1918, and 1919 on the next page which will probably answer your question.

Mr. McLAUGHLIN of Nebraska. All right.

Mr. BORDERS (continuing reading):

VEAL PRODUCTION INCREASED.

In sharp contrast with cattle the slaughter of calves in 1919 was greater than ever before. The drought in the West is ascribed as one of the main causes of the increased marketings. In round figures 9,000,000 calves are estimated to have been marketed last year, which is a million and a quarter more than 1918, and represents an increase of 17 per cent.

As no exports or imports of veal are recorded, the comsumption follows the production, and increased from 7 pounds to 8 pounds a head of the population.

INCREASE IN MUTTON AND LAMB.

Sheep and lamb slaughter reached the low point in 1917. About one and one-fourth million head more were marketed in 1918, and last year there was a further increase of more than three million head. The increased yield in meat in 1919 amounted to 103,486,000 pounds and was a gain of 20 per cent, but the consumption of mutton and lamb is so small compared with pork and beef that the increase meant only 1 pound a person of the population. The trend, however, is upward.

In this connection an interesting comparison is made with mutton and lamb consumption in certain other countries, according to latest figures obtainable, by which it is shown that this class of meat is especially popular in British and largely consumed also in France. The countries for which such data are available and the proportion consumed of mutton and lamb as compared with all meats consumed are given as follows:

	Per cent.
United Kingdom	21.8
France	11.4
Canada	6.6
United States	4.2

Thus the proportion ranges from upwards of one-fifth in England to about one twenty-fifth in the United States.

Our foreign trade in mutton and lamb is very small compared with other meats, and the imports generally exceed the exports.

PORK STILL PLENTIFUL.

A million more hogs were slaughtered last year than in 1918 and 13½ millions more than in 1917, and although 2,000,000 more hogs were marketed in the record year of 1916 their average weight was almost 13 pounds less a head, so that 1919 stands easily first in pork production. The year's slaughter yielded the enormous total of 9,269,185,000 pounds of pork and 2,119,222,000 pounds of lard.

The record-breaking exports absorbed 20.5 per cent of the pork and 37 per cent of the lard. The large foreign demand helped to reduce the home consumption 3 per cent on pork and 14 per cent on lard, as compared with 1918. Last year's per capita consumption of pork was, in fact, smaller than in any recent year except 1917.

HORSES SLAUGHTERED FOR MEAT.

As a sign of the times it is of interest to note the Federal inspection of horse slaughter, which began in September, 1919. Up to the end of the year 433 horses were so slaughtered, and about one-half of the resulting meat was certified for export.

There had been no previous Federal supervision of horse slaughter since 1903. At that time inspection was limited to a single establishment which had been in operation for several years. The inspection was necessary, as in the present case, to permit of consignments, being made interstate and for export.

The consumption of horse meat is not uncommon in certain parts of continental Europe, and was in vogue long before the late war. The fact that horses are slaughtered in non-Federally inspected establishments in the United States is perhaps not so well known. Inspectors of the Bureau of Animal Industry reported in 1918 that horses were being so slaughtered at six widely separated places situated in the East and Middle West and on the Pacific coast. The output of these places aggregated about 2,000 or more carcasses annually. As to the consumption of this horseflesh, it is known, of course, that zoological gardens, menageries, etc., account for a large part of it for the feeding of flesh-eating animals.

I think this will answer your question. [Continuing reading:]

PER CAPITA CONSUMPTION OF MEAT.

The following data are quoted from a table, prepared by the Bureau of Animal Industry, showing the annual per capita consumption of meat in the United States. They present some interesting contrasts:

Meat.	1917	1918	1919
	Pounds.	*Pounds.*	*Pounds.*
Beef	61.23	66.74	58.95
Veal	6.39	6.90	7.96
Mutton and lamb	4.59	4.95	5.90
Goat meat	.18	.14	.09
Pork (exclusive of lard)	57.59	71.35	69.08
Total meat	129.98	150.08	141.98
Lard	11.51	14.57	12.48
Total meat and lard	141.49	164.65	154.46

As before stated, consumers in 1917 refrained to some extent from eating meat. Pork products were especially desired for export, and the result for the year was a smaller total consumption than ever before recorded.

Producers came to the rescue in 1918 and provided such an abundance of animals that a large surplus was available for the home consumption after meeting the export requirements. In 1919 the shorter supply of cattle and augmented shipments of pork products brought the total consumption down to 8 pounds a person.

The quantities of each kind of meat above given, it is explained, are figured from a "dressed," or butcher's meat basis, which includes the bones and butcher's waste. They include also such parts as are canned and cured—bacon, hams, canned meats, etc. On the other hand, there are considerable quantities of edible meat which are not included in the dressed weights of the animals, such as the liver, pluck, etc. Allowing the one to offset the other the figures used are considered as approximating the actual meat consumption.

Mr. McLaughlin of Nebraska. It seems that the department in this report in giving their chief reason for the decrease in consumption in 1919 overlooked the argument which is presented here, that it was due, in considerable part, to the investigation that was pending; they do not seem to have mentioned that?

Mr. Borders. I am glad you mentioned that. Take their reason as the reason, that the price of retail meat cut down consumption, does not that bring home to you the force of the position of the packer? The producers are now contending that they are not getting enough. How can they be paid more and still not greatly increase the price of meat to the consuming public? I do not care whether you take their reason or our reason; I do not care whether you take the high price of meat, the Government says it is on account of the high retail price of meat. If that is true that must force home to your mind the conviction of this to be a fact, that the packer or whoever distributes this meat must sell it cheap enough to encourage consumption. If consumption falls off production will fall off necessarily and if production falls off then the price to the consuming public must come back anyhow. That is our position, delicate and difficult position, always to pay the producer enough to satisfy him to keep up production; not satisfy him, that is not the way. The producer should be encouraged and we want to encourage him, but if he does not get enough to encourage production it falls off. If production falls off the price to the consumer must go up. Then, when you go to the other end you get the same result. The Government says that the reason was the high prices of meat, yet if that is the cause, the producers are clamoring for still higher prices for the live animals. If you have to pay more for the live animal what will become of the consumption?

Mr. Anderson. Is not that a very strange statement on the part of the Secretary of Agriculture in view of the fact that the per capita consumption in 1919 was higher than in 1917 and as high as it was in 1916, and not as high as it was in 1915 and not as high as it was in 1914?

Mr. McLaughlin of Nebraska. Can you expect the per capita consumption to continue as it was in 1918 when the largest exports of meat ever recorded were going abroad?

Mr. Borders. I did not catch the first part of the question.

Mr. McLaughlin of Nebraska. Can you expect the per capita consumption to remain as high, when we are settling slowly back to normal conditions, as it was in 1918 when the largest exports of meat ever recorded in the history of the country were going on because of the millions of men in France and with the war conditions generally?

Mr. Borders. Yes. You must recognize this, that in 1919 the average laboring man in this country was paid a high wage. Why should he not eat meat? I hope he may. He wants the finest cuts. I do not follow your argument there, Congressman, because of the domestic conditions in this country. In 1919 the laboring man was paid a good wage and why should the consumption of meat fall off?

Mr. McLaughlin of Nebraska. Do you include in the consumption of meat what was exported in 1918; is that all included?

Mr. Borders. No; this is domestic consumption.

Mr. Anderson. Exports are not included.

Mr. Borders. They say that the exports have fallen off 56 per cent. I will tell you this, and if you will just stop to think a moment—I do not mean to say that you have not given it thought, but we are dealing with a food product, and when you talk about agitation affecting this industry, it is food, and here is how it affects consumption. The Government says that it is the price of meat. Now, nobody likes a trust or a monopoly. In fact, nobody particularly prefers to deal with a monopoly, you or I or anybody else, and if it is a question of dealing with a known monopoly and what is called an independent, we deal with the independent. You take the housewife, these people are eating the meat of these producers. They pick up the paper in the morning and they find the charge, "Monopoly,—Big Five violating law again." What is the natural and necessary result? That is when the agitation comes in. Does not she cut down her purchases a little? Do not think, for a moment, that that agitation does not affect the producers just as much as it affects the packers. There can not be the desire on the part of the packer that the producer should not be paid more. A packer gets all his raw material from these producers, and the packer is a fool to put the producer out of business. The agitation of the housewife and of all the consuming public, when the papers are full of this stuff, they cut down their eating a little and cut down on the meat.

Mr. Anderson. Nobody has advertised that any more than you have?

Mr. Borders. What we have done in that regard has been merely defensive, to let the people know what the real facts and truth are, and you will find that the five packers are in actual and active competition with each other.

Mr. Anderson. I am fast being convinced.

Mr. Borders. I thought you said that you were past being convinced.

Mr. Anderson. No; I am almost persuaded.

Mr. Borders. My experience has been in life that when anybody gets where he is almost persuaded he better go the whole length.

You wanted me to get a copy of the list of stockholders of the Kansas City Stockyards Co.

Mr. Anderson. Yes, sir.

Mr. Borders. First, as to their capital stock, there is $9,000,000 of preferred authorized and $2,500,000 of common authorized. There has been issued of the common stock the full amount, $2,500,000, and of the preferred stock $7,991,500. I think you also asked me as to the value of this stock on the stock exchange. The last quotation was, preferred, $70, and common, $85. Here is a complete list of the stockholders as of January 15, 1920.

Mr. Wilson. What is the par of the stock, $100?

Mr. Borders. Yes, sir.

Mr. Anderson. Does this purport to be a list of the real stockholders?

Mr. Borders. I do not know what you mean by "purport." It is a corrected list as of January 15, 1920.

Mr. **Anderson**. I mean what I say. Is it a list showing the real ownership of the stock, or is it a list of the stockholders as shown on the books?

Mr. **Borders**. This was certified to on January 15, 1920, by the Old Colony Trust Co. Of course, this stock, as I explained to you, is being traded in from day to day on the exchange.

Mr. **Anderson**. Is it a list of the real owners of the stock or is it a list that shows the ownership as it appears on the books?

Mr. **Borders**. I can not tell you. For instance, you take——

Mr. **Wilson** (interposing). That must have been taken off the books.

Mr. **Borders**. Yes, sir. How could I tell who owns the stock? There are three or four hundred stockholders, mostly Boston people.

Mr. **Wilson**. You can not tell whether a man buys it for himself and has sold it since?

Mr. **Borders**. No, sir. Here is Jane Livingston Armour. Somebody spoke of the Armours having an interest. This young lady apparently lives in New York City. She has 29 shares. I think she is a widow.

Mr. **Anderson**. Swift owns 53 shares.

Mr. **Borders**. That is not enough to hurt Swift.

Mr. **Anderson**. Do you know whether he owns any more?

Mr. **Borders**. I do not know. I do not represent Mr. Swift. So far as I know and according to my judgment this is correct.

Mr. **Wilson**. Mr. Swift owns 53 shares, which would be about $3,710?

Mr. **Borders**. Yes, sir; that would not hurt anybody.

Mr. **Anderson**. I find in this list that Eugene V. R. Thayer, the Chase National Bank, is credited with 6,134 shares. I think the record before the Federal Trade Commission showed that he only owned a part of them personally.

Mr. **Borders**. Perhaps that is true. Mr. Thayer represents, I have always understood, one of the largest estates in Massachusetts, the Thayer estate.

Mr. **Anderson**. And he said, in response to an inquiry from the Federal Trade Commission, that he had indorsed that stock in blank and had delivered it to Edward Morris?

Mr. **Borders**. I do not think he ever made any such statement as to that stock, because the Thayer family have always been big stockholders.

Mr. **Anderson**. Here is Mrs. Ruth S. Thayer, 229 shares; trustees under will Eugene V. R. Thayer, 160 shares; Nathaniel trustees under will, 239 shares; will Nathaniel Thayer, 280 shares; and John E. jr., 10 shares.

Mr. **Borders**. You asked me for the list and there it is. Any time you want any specific information concerning any of the holdings, I will be glad to give it to you. We do not have anything to withhold in regard to that.

I think I have given you the three points that you wanted, Mr. Anderson?

Mr. **Anderson**. Yes, sir. I am very much obliged to you.

Mr. **Borders**. I thank you.

Mr. **Anderson**. I should like to read into the record a couple of letters in connection with what I asked Mr. Veeder this morning. He seemed to question some of the statements that I made.

One is on page 1587 of part 2 of the hearings before the Committee on Agriculture and Forestry of the Senate on the bill, S. 5305.

Now, on the Borland Harry—

That is evidently a code name.

asked SO—

That is evidently a code name, also.

what he thought of an amendment to the Agricultural appropriation bill providing funds for the Secretary to make a study of the whole subject of the production and marketing of beef. He thought this would augment the Bureau of Markets' work and effectually block off other efforts.

This letter is dated at the New Willard, Washington, Saturday, January 6, 1917, and is signed "RCM," evidently R. C. McManus, who is an attorney for Swift & Co.

Here is a letter on page 1709 which I call your attention to. This is addressed by Louis F. Swift to Messrs. R. C. McManus (chairman), A. D. White, J. M. Chaplin. This letter is dated Chicago, March 16, 1916, and reads as follows:

In connection with our plan to have Mr. Brand, of the Bureau of Markets, Department of Agriculture, publish certain information respecting the variations in the prices of live stock and dressed beef:

It has been agreed that if we find the excitement is subsiding and the agitation against the packers, as the one responsible for the losses suffered by the cattlemen, is dying out, we also will limit our activities to the same degree, so as not to keep alive something which gives promise of dying a natural death.

We look to your committee to keep your finger on the pulse of the movement.

That is signed "Louis F. Swift."

That is all that I want to put in the record.

Mr. VEEDER. Let me say, if you will, that Swift & Co. has always advocated the circulation of the best of information to the producers. They have always believed that the more accurate information the producers could get not only as to the live-stock market, but as to the beef market, the better can they produce and make their shipments to the live-stock market.

At the same time during the agitation that accompanied the Borland resolution Swift & Co. was not anxious to extend that agitation any further than necessary. They believed it to be an evil to their own business and to the producers. Swift & Co. recommended to the Department of Agriculture that they collect and distribute additional figures among the producers for their benefit and information. That plan was followed and those figures still very largely are being carried out.

Mr. ANDERSON. Swift & Co. at one time published papers or bulletins giving the prices of farm produce, etc.

Mr. VEEDER. Swift & Co. have for many years—long ago as the nineties—published, especially at the large centers, the prices received by it at wholesale for the meat sold by it in those centers. It has always done that. It has from that time on, perhaps, increased the amount of publications then made; in fact, I think it now publishes some figures and has for a period of time in a great many large cities.

Mr. ANDERSON. Has Swift & Co. any interest in any market paper or market bulletin or market service?

Mr. VEEDER. I do not think so.

Mr. ANDERSON. Swift & Co. did have at the time that letter was written?

Mr. VEEDER. Yes, I think they did have; but I am not referring to the publications in those papers. I am referring to the publications in the press, principally in the Eastern cities like New York, Boston, Baltimore, Washington, and other cities.

Mr. ANDERSON. Published on your part to give the producer some disinterested information?

Mr. VEEDER. Not at all. Anything that will benefit the producer will benefit Swift & Co.

Mr. ANDERSON. That is all.

Mr. RAINEY. I will now call on Mr. Dillingham.

STATEMENT OF MR. LES DILLINGHAM, MACKAY, CUSTER COUNTY. IDAHO,

The CHAIRMAN. Mr. Dillingham, please give your full name, address, and whom you represent?

Mr. DILLINGHAM. Les Dillingham, Mackay, Custer County, Idaho. I am secretary of the Idaho Cattle and Horse Growers' Association, and am also secretary of the Western Cattle Growers' Association, organized in Salt Lake City last July, and I also publish a paper in Idaho called the Idaho Rancher, which is the official publication of the State association. I have been connected with the State Cattle Association for six years, bringing that industry into an association in Idaho. I am also familiar with live stock men and know something about how they feel about this sort of proposed legislation.

The time was taken up by the resolutions committee's consideration of this question, but a test vote was never had, for the reason that a compromise resolution was put in. It was never decided how many members of the resolutions committee stood for the resolution favoring this kind of legislation and how many stood opposed to it. They took the compromise and never counted the noses. I have a resolution here that shows the feeling not only in our State, but over in Wyoming. This resolution was adopted by the Big Horn Basin Wool Growers' Association, and reads as follows:

> Whereas, the constant agitation against the packers has had the effect to depreciate the value of live stock and to unsettle the live-stock markets of the country, to the detriment of the producer and no benefit to the consumer, therefore: *Be it resolved*, That the National Wool Growers' Association protest against this constant agitation and protest against the enactment of the so-called Anderson "K. & K." bills or any similar bills.

Mr. ANDERSON. When was this resolution adopted?

Mr. DILLINGHAM. This was adopted on March 5, 1920, at the annual convention of the Bighorn Basin Wool Growers' Association, at Basin, Wyo.

Mr. ANDERSON. Do you think this resolution represents the judgment of the convention?

Mr. DILLINGHAM. I think this one does; yes, sir.

Mr. ANDERSON. But you feel very certain that the one adopted by the American Live Stock Association does not?

Mr. DILLINGHAM. I do not think that either school of thought in the American Live Stock Association could decide for itself who was in a majority on that question.

Mr. ANDERSON. The resolution was adopted, was it not?

Mr. DILLINGHAM. A compromise resolution was adopted.

Mr. ANDERSON. Well, that compromise resolution was in favor of legislation, was it not?

Mr. DILLINGHAM. In some respects; yes, sir.

Mr. ANDERSON. Have you a copy of the resolution?

Mr. DILLINGHAM. Yes, sir; I have.

Mr. ANDERSON. Will you read it?

Mr. DILLINGHAM. The compromise resolution is as follows:

> Whereas it is necessary that confidence should be established in the operation of marketing agencies, that improved understanding may be created between producer, packer, and consumer, and distribution of meat and meat products guaranteed on a fair and economical basis, and along practical lines, so as to cause the least disturbance of existing conditions: Therefore be it
>
> *Resolved by the American National Live Stock Association in annual convention assembled in the city of Spokane, this 28th day of January, 1920,* That we recommend the enactment of legislation by Congress providing governmental regulation of all marketing, manufacturing or distributing agencies engaged in handling live stock and its products. And we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of arbitrary power, and further recommend that the supervision of such marketing agencies provided for by the proposed legislation be made a matter of law such as to occasion the least possible disturbance or interference with existing business conditions.

That is the National Live Stock Association resolution.

Mr. ANDERSON. That is in favor of some legislation, is it not?

Mr. DILLINGHAM. Yes, sir; but it was not satisfactory to a great many of the delegates who attended that convention.

Mr. ANDERSON. Were you there?

Mr. DILLINGHAM. Yes, sir.

Mr. ANDERSON. Were there any votes against that resolution?

Mr. DILLINGHAM. No, sir; there were not.

Mr. ANDERSON. But you say it was not satisfactory to the people present?

Mr. DILLINGHAM. It decidedly was not satisfactory..

Mr. ANDERSON. What was the matter with them? Were they tongue-tied?

Mr. DILLINGHAM. Well, they fought for three days over it.

Mr. ANDERSON. But when it came down to brass tacks the resolution was adopted unanimously?

Mr. DILLINGHAM. They took what they thought was the best they could get, I expect, both ways.

Mr. ANDERSON. What I am trying to get is this: This resolution to which you refer as having been adopted by the Wool Growers' Association is presented here as its unanimous judgment—which I do not question; I do not know anything about it—and then you start in to discredit this other resolution.

Mr. DILLINGHAM. No; I do not mean to be placed in that light. It was the best resolution we could get through, although it did not meet with the views of most of the men who attended that convention.

Mr. ANDERSON. You were against any resolution, I take it?

Mr. DILLINGHAM. No, sir; I was very decidedly for a resolution.

Mr. ANDERSON. What sort of resolution?

Mr. DILLINGHAM. A resolution that would not continue to agitate the question and lessen the consumption of meat products.

Mr. **Anderson**. You were in favor of a resolution which would give the packers a clean bill of health so far as legislation was concerned?

Mr. **Dillingham**. Many of my stockmen friends have, perhaps, a better opinion of the packers than some other people. We do not think they have done anything that has hurt us in any way.

Mr. **Anderson**. Well, you were not in favor of any resolution declaring in favor of any legislation, were you?

Mr. **Dillingham**. I would not say that; no, sir. I could say I would be in favor of some legislation if it is necessary, but until the Palmer decree is given time to operate I would rather see no legislation at all.

Mr. **Anderson**. In view of the fact that you were against the Palmer decree, I am surprised that you would want to see that operate.

Mr. **Dillingham**. Well, it is there now; we have to take it as it comes.

Mr. **Anderson**. Go ahead with your statement.

Mr. **Dillingham**. I have about made my statement, I believe. I often wonder who will operate the stockyards and those other marketing facilities, since the packers will not be permitted longer, or within a certain period, to do so.

Mr. **Anderson**. Well, there are other people who are wondering about that, too. I have no further questions.

Mr. **Rainey**. Any other suggestions you have to offer, Mr. Dillingham?

Mr. **Dillingham**. No; I believe I have made myself plain. The Idaho people would like to see the thing go along for awhile, and not have somebody flagging them all the time about eating meat. I would like to see the people go ahead and eat a little more meat.

Mr. **Rainey**. This resolution does not favor legislation providing for a commission or licensing, does it?

Mr. **Dillingham**. I am quite sure this resolution does not provide for any sort of commission or licensing. In fact, that is what the fight was on all through the convention. There were two schools of thought: one was that they certainly did not want a bureau or commission or licensing, and the other was that they did.

Mr. **Rainey**. That is all, Mr. Dillingham. We are obliged to you.

We have some other gentlemen here, I understand, Mr. Chairman, from Colorado, but I am not familiar with their names. Ex-Governor Ammons is here from Colorado, and I am going to ask the governor to present the gentlemen in whatever order he may desire. I think that will meet with the approval of the committee.

Mr. **Ammons**. The first witness we want to put on is from Colorado, Dr. I. L. Gotthelf, of Saguache County. His father was in the business before him from the early 70's. He is also a member of the Colorado Association of Stock Growers' Board of Control, and also a member of a local association. Dr. Gotthelf is a producer of cattle and sheep, and he and his father have been for a great many years.

STATEMENT OF DR. I. L. GOTTHELF, LIVESTOCK RAISER, SAGUACHE, COLO.

Mr. RAINEY. You may proceed, Doctor, with any statement you desire to make.

Mr. GOTTHELF. I have been president of the Saguache County Cattle and Horse Growers Association for the last eight years. I am also a member of the advisory board of the San Luis Valley Live Stock Organization, and a member of the board of control of the Colorado Stock Growers' Association.

The questions at issue in the Anderson bill are opposed not upon partisan issues, nor from personal prejudice. We are opposed to this bill upon economic and constitutional grounds. The Kendrick bill met with a hearty response from many men partly on account of the friendships existing for Senator Kendrick, and partly under the enthusiasm of rhetorical appeal. It has been my personal experience that those who are best informed and have given the most time and though to the merits and working effects of the bill are in opposition to it, while many of those favoring it have the least interest at stake, and are less informed.

In voicing my own sentiments in this controversy I am at the same time voicing the opinion of my fellow stockmen at home, and not one to whom I have talked is in favor of this bill. I am unconditionally opposed to the present trend of government by bureaus, the delegating of legislative, executive, and judicial powers to bureau officials, and the usurpation of this power by subordinate executive officials. We are slowly and surely replacing our democratic form of Government for arbitrary, autocratic rule. Czars and emperors have held their positions by virtue of election, and have become the dictators by subordinating the checks and controls that safeguarded free government.

Our business interests are becoming more and more every day subject to the dictatorship of a bureau official whose word is law and from whose decision we have no means of redress or appeal. I want to see the first instance where any business administered by the Government has been managed as efficiently, economically, and as satisfactorily as under private management. As long as officials held their positions by virtue as partisan and political affiliations, these taking precedence over personal merit, wastage, extravagance, and plunder is the rule.

I believe in having our laws made by Congress and not by administrative order; that these laws should be interpreted and applied by the courts and not by subordinate executive officials.

I can not advocate the imposition of arbitrary and unfair measures for the control of others that I deem as unfair, unjust, and unlawful for myself or my business. Every man under the laws of our country is held to be innocent until convicted of crime in a court of proper jurisdiction. You are assuming in the case of the packer that he is guilty because he has become big, powerful, and successful. You propose to impose punishment on the mere assumption of guilt. Why not arrest every prize fighter or powerful individual because he might at some time run amuck and become a menace to the community? Why deny the packer a chance to be heard in defense of the accusations against him, or assume his guilt without demonstration of the facts in the case and proceed to impose legislative restrictions against him on the grounds that he might become guilty of an offense?

These conditions are intolerable; it is destructive to sacrifice principle to expediency. Business is being criticized and legislated unto death. The smoldering fires of social unrest, general dissatisfaction, and bolshevik tendencies are being kept alive and will be fanned into flame by continual controversies, agitations, unfair and unfounded accusations.

I believe we have to-day all the necessary laws upon our books and the proper machinery to protect the rights of the people against any usurpation of power by any man, corporation, or combine. If we have not, then let us proceed to enact those necessary, for we are destroying the keystone in the arch of our democratic Government when we transcend our rights by abrogating the principles and foundations of free government. This you do when you delegate autocratic authority to bureau officials. In the world's broad field of battle only the fit will survive. This is a biologic truth. That we may survive, we must make ourselves fit. By harboring and nursing the weaklings at the expense of the strong and capable you are crippling the success of the Nation and we will become an inferior nation and eventually we will become commercially and economically vulnerable and go down to defeat in a great struggle for world supremacy.

The agreement of the packers to submit to the Palmer injunction is in no sense an admission of guilt. But to stem the tide of popular assumption of guilt, they have consented to abide by this injunction that it may become a law to appease the wrath of an uninformed public and supposedly to protect them against any usurpation of power that political demagogues and press enemies have instilled into the public mind.

I am defending the packer against these aspersions in this instance, not because it is a packer that is before the tribunal of popular opinion, but in spite of the fact that it is the packer. The issues at stake transcend in their rights and principle any question of personal or partisan issues. I do not believe that anyone is going to benefit by this drastic regulation of the packer business. The producer pays the bill in a depreciated price of his stock by all this agitation. The retailer goes serenely on with his profit at our expense. I believe that if you should extend the business of the packer rather than disrupt it, that as producers we will not only receive a better price for our product and the packer can make a legitimate profit in his business, but that the public can buy for less.

I would like to see the packer given a chance to open retail markets, and I firmly believe that if he were allowed to do so in every city where the size justifies it the public would buy their meat products at a greatly reduced price than they are now paying. The packer would and could well afford to do business under a much narrower margin of profit than any other small individual shop. The producer and consumer would both benefit and we would have more stable business relations and the great good that would result to the greatest number would more than justify any inconvenience it might impose upon a few individuals.

Whether or not free government by the people and for the people shall endure, these issues will determine. We are to-day the greatest Nation in the world, only partially because nature has endowed us with the greatest natural resources, but mainly because our Government has allowed freedom for individualism. Deprive the individual of the hope of distinctive reward and you not only atrophy personal ambition, but most effectively dam the stream of natural progression.

The business success of our country is a triumph of individualism and an exemplification of the wisdom of conferring upon the maximum of capacity the maximum of reward. Our country could never have risen to its present greatness if held under the restraint of bureaucratic control or communal bondage.

Mr. McLaughlin of Nebraska. Doctor, I just want to ask one question, if it will meet with your approval. You prepared this statement before you came to Washington, did you?

Mr. Gotthelf. Yes, sir.

Mr. McLaughlin of Nebraska. Did you submit this to any of the attorneys for the packers before presenting it here, or have you had any consultation with them as to the evidence you were going to offer?

Mr. Gotthelf. No, sir. I knew I was coming on this mission, and I stopped in Denver and I wrote out the substance of this article in my room in the hotel there in Denver, and I had a typewritten copy of it made there. The typewriting work was done in the hotel by the hotel stenographer.

Mr. McLaughlin of Nebraska. I wish to commend you upon your presentation of the subject. You might be an attorney as well as a doctor.

Mr. Gotthelf. Well, these issues and principles are not necessarily the property of only attorneys; they are the property of any individual who cares to read and absorb.

Mr. Young. It is your present conclusion, then, with relation to the facts as they now exist, that everything is running along pretty smoothly and there ought not to be any legislation on this subject?

Mr. Gotthelf. I do not believe I will object to any legislation, if you will define in the law what shall be done. I object more particularly to the delegating of authority to bureau officials.

Mr. Young. In your statement you advocated permitting the packers to open up market places and sell at retail to the individual consumers. Does it occurr to you that if there is no restriction by some statutory enactment, there could be such an organization of capital in this country as would permit the taking over of various businesses, and would you say that such an organization would not be inimical to the public good?

Mr. Gotthelf. I would not presume to pass upon what the future might bring forth in any line. I do not believe in accusing any man of crime on the mere assumption that he might transcend his rights.

Mr. Young. It is an admitted fact here that the packers have gone into many, many lines of business. For instance, the grocery business. As another illustration, they have gone into other sections of the country and taken over the oil mills that buy the farmers' cotton seed and crush it, make oil and hulls and cake and meal. As a matter of public policy, do you not think that when a great organization of capital like that enters these lines of business that are wholly unrelated to that for which they were originally organized, it is time that the Government took action?

Mr. Gotthelf. I do not consider that these lines of business are wholly unrelated. I also look at this fact: A short time ago we were engaged in war, the greatest war the world has ever seen.

Napoleon at one time said that armies fight on their bellies, and that holds true to-day. That fact is still the determining factor in the winning of wars, and I believe that one of the biggest contributing factors to the winning of the war was the efficiency in the organization of the packing industry. I do not believe that we could have marketed our meat products or that they could have been distributed or assembled or taken care of in a proper manner without that organization. When we were under every necessity in this country to conserve to the utmost and promote efficiency the Government officials themselves asked for the coordination of all industry that it might be assembled under the fewest heads to promote efficiency and economy in its work. And now, it seems to me, that if that was necessary in time of war, it also ought to apply in time of peace.

Mr. YOUNG. Well, you are broadening your proposition. This war was a test of whether or not a democracy could so organize itself as to fight a great war. We were fighting a great organized machine, organized from the Government down, and the problem was whether in a democratic Government like ours, where the power is supposed to remain with the people, where the average citizen can follow any line of business he sees fit, we could concentrate the power that had been exercised by individual citizens and get it into concentrated form so as to meet power with power. You would not advocate that we continue to concentrate this power as a part of our peacetime civilization?

Mr. GOTTHELF. I would if it were conducive to efficiency and economy for the general public. I believe the reason the public is complaining to-day of the price of meat is the fact that its final distribution is allotted to so many different men and that the overhead expense and the inefficiency of the local retailer makes the price what it is to-day. There is such a disparity in price between meat as it comes from the packer and as the consumer has to pay for it.

Mr. YOUNG. Carrying your argument a little bit further, if that be true, we might do away with several of these packers, and instead of having some five or six great packers we might have more efficient marketing by getting down to only one or two?

Mr. GOTTHELF. Possibly so.

Mr. YOUNG. You would not want that kind of thing to happen, would you, as a producer?

Mr. GOTTHELF. I could not say offhand whether I would or not. At present I can see no great objection to it.

Mr. YOUNG. Do you not believe there is a tendency for the human being when he gets extraordinary power to use that power to his own advantage?

Mr. GOTTHELF. Well, it all resolves itself down to the survival of the fittest, and what is right in one day and age may not be so in another. That is not just the way I would like to put it, but I believe that the greatest good that may accrue to the greatest number will justify a legitimate means to the end.

Mr. YOUNG. You are a stock raiser and producer?

Mr. GOTTHELF. Yes, sir.

Mr. YOUNG. And ship to market?

Mr. GOTTHELF. Yes, sir.

Mr. YOUNG. Take your individual case. You actually would not want to see everybody driven out of the purchasing of live stock except one or two organizations, would you?

Mr. **GOTTHELF.** No; I do not believe I would.

Mr. **YOUNG.** That would be a mighty dangerous thing to do, would it not?

Mr. **GOTTHELF.** I would think so; yes.

Mr. **YOUNG.** Not only to you as a producer, but to me as a consumer. If you carry it to such a point that all competition is stifled, then the producer has no remedy and the consumer has no remedy. Then the whole question is whether that organization has got the milk of human kindness in it and is going to deal exactly right with you as a producer and with me as a consumer. You do not want to risk that kind of business, do you?

Mr. **GOTTHELF.** I do not want to do any kind of business under sufferance.

Mr. **YOUNG.** That is all.

Mr. **McLAUGHLIN** of Nebraska. Just one or two more questions, Doctor.

How many members are there in your association?

Mr. **GOTTHELF.** There are 40 members in our local association.

Mr. **McLAUGHLIN** of Nebraska. How many are there in the State or district organization to which you referred?

Mr. **GOTTHELF.** I do not remember right now the exact number.

Mr. **McLAUGHLIN** of Nebraska. Have there been any conventions held by these organizations and any resolutions passed?

Mr. **GOTTHELF.** Yes, sir.

Mr. **McLAUGHLIN** of Nebraska. What was the nature of those resolutions?

Mr. **GOTTHELF.** At the Denver convention there was a resolutions committee. They introduced—I could not state the exact resolution. The original resolution was brought up, favoring some legislation for the control of the packers, the same that has been agitated ever since the original Kendrick Bill came up. We had quite an argument and long discussion about it on the floor, and it was referred back to the committee on resolutions to amend it so that whatever was done in regard to the regulation of the packers it should be explicitly defined in the law and not delegated to any bureau or official.

Mr. **McLAUGHLIN** of Nebraska. Then the resolution did favor some positive legislation?

Mr. **GOTTHELF.** The resolution did, but I do not think that it embodied the general sentiment of the men there. We argued the question for a good while, and the vote that was taken at that time was little misleading, because the members there who were casting the vote did so largely by proxy. A man would get up and say that he represented the vote of 300 members from his locality. He came to that convention delegated with authority to represent them, but whether he was capable of determining the opinion of each one of his members or not is difficult to say.

Mr. **McLAUGHLIN** of Nebraska. Did those who opposed the resolution vote their constituents by proxy?

Mr. **GOTTHELF.** Yes, sir.

Mr. **McLAUGHLIN** of Nebraska. So it worked both ways?

Mr. **GOTTHELF.** It worked both ways in one respect, that a great many of the members who were personally in favor of it had a very much larger delegation behind them.

Mr. **McLAUGHLIN** of Nebraska. You spoke in your statement about being opposed to any investigations or agitation or procedure that would not give the packers a fair chance to be heard. Do you contend that there have been any investigations or prosecutions or any procedure that has not allowed the packers ample chance to be heard? Have they not been well represented and well heard on every investigation that has ever been had?

Mr. Gotthelf. Yes; I think they have; but the intent of passing legislation against them without a hearing is what I object to.

Mr. McLaughlin of Nebraska. I do not think anybody contemplates that. I think that is an assumption on your part that is unwarranted. I am sure nobody here thinks of doing anything without giving interested parties ample chance to be heard. That is all, Mr. Chairman.

Mr. Rainey. Doctor, following the suggestion of Congressman Young, if conditions arose when we would have but one large packer who would do all the buying from producer and all the selling to the consumer, if such a situation was possible where this one packer could name the price he would pay the producer, also name the price the retailer must pay, do you think that we would have competition from outside capital and investors immediately when they discovered they could buy from the producer and sell to the retailer and make money?

Mr. Gotthelf. Certainly.

Mr. Rainey. So that there is hardly a chance for a situation of that kind to arise where a complete monopoly would be in the hands of one great packer?

Mr. Gotthelf. We feel to-day that there is plenty of competition in the market. We do not feel that there is a monopoly by the packers or any collusion among the packers to try to set an unfair price upon our products. We feel that the packer buys in the open market in open competition with the other packers and with the local speculator and the local packers that do not belong to the organization.

Mr. Anderson. What do you mean by "do not belong to the organization"?

Mr. Gotthelf. That are not included in the five large packers—the independent packers.

Mr. Rainey. What has been your experience, Doctor, in shipping your cattle to market? Do you at times accompany the shipments?

Mr. Gotthelf. Yes.

Mr. Rainey. Has your personal experience been to find competition in the live-stock markets to which you ship your cattle?

Mr. Gotthelf. Yes.

Mr. Rainey. Have you ever enjoyed the experience of receiving only one bid from the large packers?

Mr. Gotthelf. No, sir.

Mr. Rainey. Or have you ever enjoyed the experience of all of the large packers bidding the same price?

Mr. Gotthelf. No, sir.

Mr. Rainey. You have always found healthy competition to exist?

Mr. Gotthelf. Yes. Our class of stock is largely feeder stock also. The competition at certain times is very keen between the packer and the feeder.

Mr. Rainey. That is all, Doctor.

Mr. Anderson. I understood you to say, Doctor, that you were a member of a board of control of some kind?

Mr. GOTTHELF. There are four members of what is known as the board of control of the Colorado Live Stock Association.

Mr. ANDERSON. Is that a statutory board?

Mr. GOTTHELF. Well, I do not know that it is.

Mr. ANDERSON. What are its duties? What does it do?

Mr. GOTTHELF. Its duties are to handle any business that may come up in the interest of the stock growers.

Mr. AMMONS. I can clear that up; I have known that association from its beginning. It is a voluntary association and so organized. I used to be president of it.

Mr. ANDERSON. I understood you to say you were opposed to Government by bureaus?

Mr. GOTTHELF. Yes, sir.

Mr. ANDERSON. Is your view on that proposition prompted at all by the regulation during the war?

Mr. GOTTHELF. Yes and no.

Mr. ANDERSON. Well, which?

Mr. GOTTHELF. Yes; because we have had bureau control of our forests We raise all our cattle upon the forests, which have been under the control of the bureau since the Federal Government took over the national forests.

Mr. ANDERSON. And your views with reference to bureaucratic control are prompted somewhat then by the management of the forests by the Forest Service?

Mr. GOTTHELF. Yes, sir.

Mr. ANDERSON. And by the regulations they have imposed?

Mr. GOTTHELF. Yes, sir.

Mr. ANDERSON. Do you run any cattle on the forest reserves?

Mr. GOTTHELF. Yes, sir.

Mr. ANDERSON. What price do you pay for grazing?

Mr. GOTTHELF. I pay 75 cents a head for the season.

Mr. ANDERSON. Is not that very much less than private grazing in the same community?

Mr. GOTTHELF. No, sir; not when all things are taken into consideration.

Mr. ANDERSON. As to the actual money involved it is less, is it not?

Mr. GOTTHELF. No, sir. If I had a surety of it or if conditions were such that I could run my cattle on private pasturage, I would prefer to do it. Some of the cattle in our country are run on private pastures at the rate of about 50 cents per month. I consider that cheaper than the present forest rate when I take into consideration the benefits I would receive from privately controlled pasturage.

Mr. ANDERSON (presiding). There is a vote now pending in the House, and as the members of the committee want to vote on the proposition, I presume we had better adjourn now until to-morrow morning at 10 o'clock.

If you are going to be here, Doctor, I would like to ask you some more questions.

Mr. RAINEY. Will you be in town to-morrow?

Mr. GOTTHELF. Yes, sir.

(Whereupon, at 4.25 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m. to-morrow, Tuesday, March 16, 1920.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

TUESDAY, MARCH 16, 1920

PART 18

WASHINGTON:
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1920

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COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, March 16, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Are you ready to proceed, Mr. Rainey?

Mr. RAINEY. Yes, sir.

The CHAIRMAN. You may proceed, Mr. Rainey.

Mr. RAINEY. I will call on Dr. Gotthelf.

STATEMENT OF DR. I. L. GOTTHELF, M. D., SAGUACHE, COLO.—Resumed.

Mr. ANDERSON. When the committee adjourned last night we were discussing government by commissions, and I think you had expressed the opinion in opposition to that sort of government?

Dr. GOTTHELF. Yes, sir.

Mr. ANDERSON. And that you based that opinion upon the regulation of the forest reserves by the Forestry Service and on regulations of bureaus during the war. Am I correct in that?

Dr. GOTTHELF. I base that opinion upon that, because those are the things that I was the most familiar with.

Mr. ANDERSON. Do you run any cattle on public land outside of the forest reserves?

Dr. GOTTHELF. No, sir.

Mr. ANDERSON. Do you know anything about the Government's regulations about grazing on the public lands?

Dr. GOTTHELF. There is practically no regulation on the public domain.

Mr. ANDERSON. You are correct about that. You think the conditions on the public domain without regulation are better than on the forest reserve where there is regulation?

Dr. GOTTHELF. We have no objection to regulation if they will define in law what that regulation shall be.

Mr. ANDERSON. Of course, it is not possible for Congress to write into the law every detail of the regulation, and as that is an impossibility a demand that Congress shall do so is equivalent to saying that there should not be any legislation?

Dr. GOTTHELF. Well, we object to the bureau control. Now, in our forest regulations, for instance, the forestry department guaranteed to us under the five-year permit system that we would not be curtailed in our allotment of the forest and that the price of the range fee would not be raised. I understand in the South there was an amendment to the appropriation bill which provided that the range fee should be raised 300 per cent.

Mr. ANDERSON. That is the kind of legislation you are asking for, definite congressional action?

Dr. GOTTHELF. If the bureau has no authority to pass rules and regulations, then they become subservient to the Congress ultimately, of course.

Mr. ANDERSON. They are in any event.

Dr. GOTTHELF. Yes, sir; but they exercise an arbitrary power and rule.

Mr. ANDERSON. No; they do not. They only have certain powers which the Congress confers upon them. Now, with reference to the forest reserves, the case is not an exact analogy, because they are really dealing with Government property. The Government can do what it pleases with its own property like any other owner. What particular regulation did you have in mind which was responsible for the conclusion that that sort of regulation was undesirable?

Dr. GOTTHELF. It was the general principle of placing the legislative functions in a bureau finally from which the public has no means of redress and has no opportunity to be heard in any court of jurisdiction.

Mr. ANDERSON. Do you know of any industry that was injured by virtue of any war-time regulation?

Dr. GOTTHELF. We feel that our live-stock industry was injured by war-time regulations.

Mr. ANDERSON. In what respect?

Dr. GOTTHELF. An arbitrary price was placed upon the cost of the production of wheat and corn and also upon meat and wool. Our men were taken from us to go to war at $30 a month, those who were drafted, and the other men were lured from us to other departments and were paid prices prohibitory to us. Everything which we produce has advanced in cost three or four hundred per cent, and I feel in the ultimate analysis that practically that whole expense of cost to-day is represented in the labor cost, and the conditions which we are facing to-day in the country are, I think, critical from the standpoint of live stock and farming. I mean that it is an especially difficult thing to obtain the necessary labor to produce the crops and to produce the live stock.

Mr. ANDERSON. There was never a time in the history of the country when there were so many business men in the Government service regulating their own industries and everybody else's industries as in the war?

Dr. GOTTHELF. I think so.

Mr. ANDERSON. So, if there was any bureaucratic control it was not because of the inefficiency of the Government, but was due to the inefficiency of the business men that got into the service during the war?

Dr. GOTTHELF. No; they exercised an arbitrary control over certain functions and others they could not.

Mr. ANDERSON. That is very indefinite. Let us get down to brass tacks. What, for instance?

Dr. GOTTHELF. I think our products are practically the only ones in which there was a limitation of price put upon them. The necessities of life have been curtailed in the price that we can receive With regard to the luxuries of life and labor there was a leeway to charge what they pleased.

Mr. ANDERSON. You think that was the result of bureaucratic control?

Dr. **Gotthelf**. Yes, sir.

Mr. **Anderson**. Is it your impression that the packing industry was injured by the regulations of the Food Administration?

Dr. **Gotthelf**. I do not know anything with regard to the packing business; I am not familiar with it.

Mr. **Anderson**. You are undertaking to defend them here?

Dr. **Gotthelf**. I am defending them merely in the manner in which they are handled and regulated. I believe that the best interests of the country will be subserved by allowing the individual to pursue his own business in ordinary competition, and not to be held down under the restrictions of an arbitrary control. I would not ask that the packers should have regulations imposed upon their business that I would not wish imposed upon my own.

Mr. **Anderson**. Do you think that the stockyards have been injured or the markets at the stockyards have been injured by Government regulation of the market during the war period?

Dr. **Gotthelf**. Will you please repeat that?

Mr. **Anderson**. Do you think that the stockyards have been injured or that the markets at the stockyards have been injured any by the Government's regulation of the markets during the war period?

Dr. **Gotthelf**. I think the markets have; yes, sir.

Mr. **Anderson**. In what respect?

Dr. **Gotthelf**. Because an arbitrary price was placed on the beef products of the country.

Mr. **Anderson**. Who put that arbitrary price on beef?

Dr. **Gotthelf**. I do not know who did that.

Mr. **Anderson**. I would be glad to have you produce any record showing that there was an arbitrary price put on beef coming to any market.

Dr. **Gotthelf**. I do not know that they did.

Mr. **Anderson**. You said they did. I want to get right down to brass tacks on this proposition. You think the stockyards and the stockyard markets have been injured by Government regulation during the war?

Dr. **Gotthelf**. I do not know to what extent they have been injured. I am not in favor of regulation of the stockyards nor of the packer, by the Government. I am not in favor of divesting the packer of his interest in the stockyards or his refrigerator cars nor his allied plants that contribute in the handling of the live-stock business. I feel that we would have to pay an added price if these stockyards were controlled by private individuals.

Mr. **Anderson**. I am told that the Government inspectors of the stockyards at Kansas City found the manure piled up in the stockyards so high that the cattle fell over the fence and broke their backs. As I understand, they put in a regulation to cure that to some extent. Do you think that regulation is a bad thing?

Dr. **Gotthelf**. No.

Mr. **Anderson**. I understood you to say that you did not think the packers should be regulated by the Government in any way?

Dr. **Gotthelf**. I have no objection to regulating the packer according to law. I think that the packer should be allowed to handle his business in the same way that the national banks do. The Government imposes restrictions upon the national banks, but the regulations of the banks are defined in definite terms. That is not left to the arbitrary judgment of some official.

Mr. **Anderson**. I venture to say that I can find in the Federal reserve act just as wide authority to make regulations as is contained in any of these bills regulating the packers.

Dr. **Gotthelf**. We hear so much about the profiteer and unfair prices and discrimination, but the law has never defined what a profiteer is or what unfair prices are. If the law defines those and places a definite interpretation on them then the business man will be able to conduct his business accordingly.

Mr. **Anderson**. You think that the law itself should define every practice which is prohibited?

Dr. **Gotthelf**. I do.

Mr. **Anderson**. I would say from my own legislative experience that that is an absolute impossibility.

If there were a monopoly in the packing business, do you think that there should be regulation?

Dr. **Gotthelf**. I think we have laws on the books to prevent a monopoly. I do not think there is a monopoly.

Mr. **Anderson**. Let us assume that there is. If there is, do you think that it should be regulated?

Dr. **Gotthelf**. Yes, sir; if there is a monopoly I think that it would come under the jurisdiction of the Sherman antitrust law.

Mr. **Anderson**. If these packers have the power and exercise that power to artificially depress or enhance the price of live stock in the markets, do you think that situation would be justification for some regulation?

Dr. **Gotthelf**. I do not believe that you would be justified in passing an arbitrary law on the supposition that they were doing those things.

Mr. **Anderson**. That leads me to another suggestion which you made in your statement, that this proposed legislation was for the prevention of crime. Is it not possible that it might be necessary to regulate an industry where no crime was involved?

Dr. **Gotthelf**. Well, all laws in any country are impositions upon the freedom of the individual. They are imposed to restrict him so that he shall not go further in the exercise of his liberties as to encroach upon anyone else. What is right to-day may not be right 10 years from now. Those are matters for economic readjustment.

Mr. **Anderson**. If the packers have the power to encroach upon the rights of other people, would you say that it would be proper for Congress to pass regulatory statutes which would keep them within reasonable bounds with respect to the rights of others?

Dr. **Gotthelf**. I do not believe that the packers have encroached—we have no more right to assume that they have any more potential authority to transcend the laws of the country than anyone else. I do not want to see any class legislation imposed.

Mr. **Anderson**. Do you consider that the packers have done anything that is not just right?

Dr. **Gotthelf**. I would not care to convict any man on supposition.

Mr. **Anderson**. Have you read the report of the Federal Trade Commission?

Dr. **Gotthelf**. I have not read it in its entirety; no, sir.

Mr. **Anderson**. How much have you read?

Dr. **Gotthelf**. I have just glanced through it.

Mr. **Anderson**. You think that it is all supposition?

Dr. **Gotthelf**. I have not sufficient information on that subject to express an opinion.

Mr. **Anderson**. You think that we ought to disregard the report of the Federal Trade Commission in considering this legislation?

Dr. **Gotthelf**. No, sir. I think if they have made assertions that the packers have committed a crime that they should stand their trial in the courts the same as any individual.

Mr. **Anderson**. There are lots of acts or omissions which are not crimes, but which are contrary to our idea of public policy. Monopoly is not a crime; it is against public policy and may be made a crime by statute. It is not a crime in the sense in which we ordinarily speak of a crime. If they are overcharging for yardage or exacting exorbitant commissions, that would not be a crime; that would be against public policy. Do you think that we ought to confine our legislation upon this subject to the prohibition of acts which involve crime?

Dr. **Gotthelf**. I think that legislation is enacted to prosecute criminals.

Mr. **Anderson**. It is not necessary to go any further with that.

You referred in your opening statement, also, to the action by political demagogues. Whom did you have reference to in that statement?

Dr. **Gotthelf**. No one individual.

Mr. **Anderson**. You just had reference in a general way to regulating the packers?

Dr. **Gotthelf**. No. I object to the present trend of the substitution of a democratic form of government by a bureaucratic form of government.

Mr. **Anderson**. Your idea of a democratic form of government is one in which everyone is relegated to the courts for the redress of any grievance that he may have against anybody else?

Dr. **Gotthelf**. Please state that again.

Mr. **Anderson**. Your idea of a democratic form of government is one in which everybody is relegated for his remedy for any grievance to the courts?

Dr. **Gotthelf**. Yes, sir.

Mr. **Anderson**. You do not believe in the Interstate Commerce Commission?

Dr. **Gotthelf**. That does not apply to the individual in the same terms.

Mr. **Anderson**. An individual may be very seriously affected by the railroad rates and be put out of business; that is, have the value of his plant destroyed?

Dr. **Gotthelf**. Yes, sir.

Mr. **Anderson**. As to the retail business, you think it would be sound economics for the packers to do all the retail business of the country?

Dr. **Gotthelf**. No; I do not think it would be possible for them to do all the retail business. I think it would be impossible for them to control the retail market, but I think to-day that the big disparity in price between that which the producer receives and the packer sells it for lies in the retail business. I do not want to say that the retailer is a profiteer, because I do not know enough about his individual business, but with a small shop he does a small margin of business at such a large overhead expense and cost.

Mr. **Anderson.** You do not know enough about the retail business to say that there is profiteering, but you know enough about the packing business to say that it does not need regulation?

Dr. **Gotthelf.** Profiteering has not been defined and I do not know how far to go in defining what a profiteer is. I do know that in Denver last summer, when the price of meat was selling around 14 to 16 cents on the hook at the wholesale house, that the price of a very small steak from the retailer was as high as 60 cents a pound.

Mr. **Anderson.** When was the time when meat was selling at 14 to 16 cents?

Dr. **Gotthelf.** I do not remember the exact month.

Mr. **Anderson.** Was it in 1919?

Dr. **Gotthelf.** Yes, sir; 1919. The latter part, I think.

Mr. **Anderson.** If it was in 1919 it must have been since the 1st of August.

Dr. **Gotthelf.** I do not know which class of meat you are referring to.

Mr. **Anderson.** The average price.

Dr. **Gotthelf.** The average price. That was not corn-fed meat for which the price is relatively high; grass-fed beef.

Mr. **Anderson.** The average price of all beef sold by Swift & Co. from the 1st of July, 1918, until approximately the 1st of July, 1919, was above 16 cents a pound?

Dr. **Gotthelf.** Yes, sir; that is true. There is one condition which you must not overlook, and that is the tendency to-day is to ignore the cheaper cuts of meat. The laboring man in the city is receiving a wage which enables him to demand the higher priced beef. I know of one instance in Denver where one of the small restaurants there is handling nothing but loins, which he buys from the eastern market. He uses 35 loins a day in his one shop; he buys nothing else. Consequently, the price of the cheaper cuts of meat which ought to be cheaper have been in no demand and there has been an added price put on the higher cuts in order to bring up the general average.

Mr. **Anderson.** If some of those people out in Denver should be elected to Congress; they would soon find out how to use the cheaper cuts.

Mr. **Tincher.** As I understand, you are out in the Government forest reserve section?

Dr. **Gotthelf.** Yes, sir.

Mr. **Tincher.** And you do not like the bureau, because you have a five-year contract that Congress is about to disturb?

Dr. **Gotthelf.** What is that?

Mr. **Tincher.** That you have a five-year agreement with some of the forest reserve people?

Dr. **Gotthelf.** At the convention held in Cheyenne of the National Live Stock Association there was an agreement made with Secretary Houston, in order to satisfy the meat industry and to give the producer some assurance of stability of price and permanency in his business, that those who had established a right upon the forest could take out a permit for five years and that they would not be subject to any fluctuation on the range in regard to keeping any number of stock.

Mr. TINCHER. Let us get down to something definite. You took out one of those permits?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. What price did you pay?

Dr. GOTTHELF. The price which I paid for my cattle for the five months' season is 75 cents a head.

Mr. TINCHER. What State?

Dr. GOTTHELF. Colorado.

Mr. TINCHER. You paid 75 cents for five months, 15 cents a month?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. And you say the Secretary of Agriculture held out to you that he would not be in favor of changing that rate for five years?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. Of course, you did not have any binding contract with the Government for a lease on that land for five years?

Dr. GOTTHELF. The only contract was that they issued the permits and we supposed that they would live up to their permits.

Mr. TINCHER. You are a fair man, want to be fair, and want the law to be fair?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. As I understand, the Government forest reserves are maintained by appropriations from the Government?

Dr. GOTTHELF. Partially.

Mr. TINCHER. How else?

Dr. GOTTHELF. The administration of the forester in regard to the running of live stock more than pays the administrative costs.

Mr. TINCHER. What you mean to say is that partly the forests are maintained by appropriations from Congress—the 15 cents a month that you pay or that somebody else pays—that is what you mean?

Dr. GOTTHELF. The forests were originally——

Mr. TINCHER (interposing). Do you know if there is any other source of income?

Dr. GOTTHELF. There are the timber sales.

Mr. TINCHER. The Government gets the money for the timber which is sold off?

Dr. GOTTHELF. The timber sales do not pay their cost of selling.

Mr. TINCHER. As I understand, the Government owns the forests, either bought them or they have always owned them?

Dr. GOTTHELF. They have the ultimate authority.

Mr. TINCHER. The Government owns the forests?

Dr. GOTTHELF. There is a great diversity of opinion. Some people feel that the States should be entitled to the forests that lie within their own domain.

Mr. TINCHER. But who owns them?

Dr. GOTTHELF. Under present conditions the Government owns them.

Mr. TINCHER. You know that your neighbor pays $1 a month for his steer to go upon the pasture?

Dr. GOTTHELF. My neighbor pays 50 cents for an inclosed pasture.

Mr. TINCHER. We appropriate also the money to fence the forests?

Dr. GOTTHELF. No, sir.

Mr. TINCHER. Have we not fenced the forests?

Dr. GOTTHELF. The forest fences have been put up 50-50 in some cases and in other cases entirely by the local stockmen.

Mr. TINCHER. Then, if we have appropriated several million dollars to fence the Government forests the money has not been used for that purpose?

Dr. GOTTHELF. I am only speaking for my own country, because I have contributed toward the fencing.

Mr. TINCHER. One reason that you are opposed to any change of the law is because you have a permit at 15 cents per month per steer?

Dr. GOTTHELF. The variation between the price to-day is——

Mr. TINCHER (interposing). You do not want a change of law?

Dr. GOTTHELF. I feel that if you raise the price that the price of the cattle will raise.

Mr. TINCHER. How much have you?

Dr. GOTTHELF. I have permits for cattle and sheep.

Mr. TINCHER. How many?

Dr. GOTTHELF. Three hundred cattle and 1,200 sheep.

Mr. TINCHER. It does not make any difference, so that you have the Government forest occupied?

Dr. GOTTHELF. It is really overoccupied.

Mr. TINCHER. The reason you question somewhat the Government interest in ownership of the forest is that you figure that you men who are pasturing your cattle have a joint interest with the Government in the land?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. You are pretty well satisfied that the packers are absolutely fair in their dealings and for that reason you do not want this Congress to pass any law regulating them?

Dr. GOTTHELF. I am not advised on that question.

Mr. TINCHER. You are giving the committee the benefit of your ideas of economics for legislative purposes?

Dr. GOTTHELF. No, sir.

Mr. TINCHER. There is a company, the Armour Leather Co. Mr. Armour being engaged in the packing business was, to some extent, engaged in the leather business?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. Just before the severance by the Attorney General there was a voluntary severance, I think, of his leather business from the packing business, and they organized a corporation, I think, with $25,000,000 capital, known as the Armour Leather Co. of Delaware. I do not know which one of the Armours lives in Delaware. I have here a list of the stockholders of the Kansas City Stockyards and I see that is a Maine corporation; I thought it was a live-stock organization in Missouri and Kansas. This Armour Leather Co. is a Delaware corporation. It is a $25,000,000 corporation with an authorized stock issue of $25,000,000, $10,000,000 of which is preferred stock which will be sold at $100 par a share. The corporation was organized so that the man who buys that stock will have a good investment. There is common stock, $15 a share, $15,000,000, which goes in that way. There is the founders stock, of no par value, $100,000. That is held. In other words, Armour in this $25,000,000 corporation will hold $100,000 of stock and the corporation is so organized that the $100,000 of stock will control all interest in this corporation, so that after selling his leather business, he will command more dividends than all the stock that he sells. If that is true, if they are big enough so that by taking the hides from other packers and handling this leather in that way, he can sell everything he has and still retain this small interest and have an income equal to that large capitalization, and have control of the corporation, do you think that it would be right for this Congress to have the audacity to pass any law regulating that kind of people?

Dr. GOTTHELF. I am not familiar with the corporation laws. I do not know whether the laws are such that that corporation has been organized in defiance of the law.

Mr. TINCHER. Suppose the laws are inadequate, would you think that it would be right to pass a law that would affect Mr. Armour?

Dr. GOTTHELF. I would not say that Mr. Armour could not go into the leather business because he was a packer.

Mr. TINCHER. You are really friendly to his proposition to go into that industry, your idea as an economist would be to let it go?

Dr. GOTTHELF. I am not familiar enough with the affair to pass an intelligent opinion on it.

Mr. TINCHER. You are just about as familiar with the packer proposition as any of us. We find out a little once in a while as we go along. You knew when you came here to testify that the Government had spent over a quarter of a million dollars trying to get information through the Federal Trade Commission concerning these five big packers?

Dr. GOTTHELF. I knew that there had been investigations.

Mr. TINCHER. And had printed volume after volume, as well as a few extracts from the collection, for the benefit of the American public concerning the packers?

Dr. GOTTHELF. That is one of my objections to the condition.

Mr. TINCHER. I asked if you knew about these reports?

Dr. GOTTHELF. I know of the reports.

Mr. TINCHER. Where did you come from to testify before this committee?

Dr. GOTTHELF. I came from the town in which I live.

Mr. TINCHER. Where is that?

Dr. GOTTHELF. The name of the town is Saguache.

Mr. TINCHER. In Wyoming?

Dr. GOTTHELF. Eighteen miles from the railroad in San Luis Valley.

Mr. TINCHER. In Colorado?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. You never have seen one of the printed reports of the Federal Trade Commission?

Dr. GOTTHELF. No, sir; I have not.

Mr. TINCHER. You have seen the advertisements of the packers paid for in your little county papers condemning this legislation?

Dr. GOTTHELF. No; I do not think that our little paper printed any advertisements from the packers.

Mr. TINCHER. Do you have a paper in your county?

Dr. GOTTHELF. Yes, sir.

Mr. TINCHER. What is the name of the paper?

Dr. GOTTHELF. It is called the Saguache Crescent.

Mr. TINCHER. If there is a copy of that paper in Washington, you can find out by going to the Congressional Library, I think you will find advertisements of the packers in the Saguache Crescent, and that you have overlooked them?

Dr. GOTTHELF. Possibly.

Mr. TINCHER. You never made any effort to get the reports of the Federal Trade Commission and study them?

Dr. GOTTHELF. I have not the time to read those voluminous reports.

Mr. TINCHER. You just criticize and condemn them without reading?

Dr. GOTTHELF. I have not condemned the reports.

Mr. TINCHER. I think that you could have read most of the essential parts of the Federal Trade Commission's report on your ride from home here if you cared to post yourself?

Dr. GOTTHELF. I have read the Anderson, Kendrick, Kenyon bills; I have read many of the magazine articles, many of the articles about this agreement, and so on, in the Breeders' Gazette and Producer, the National Wool Grower and Sheep Breeder, where there has been a sort of résumé of all of this legislation.

Mr. TINCHER. Do you not think, in view of the fact that the packers have treated you so fine with regard to live stock that you, as a good citizen of the Government, when conditions are not so intolerable, that you should object to some small change in your contract for the use of the forest reserve?

Dr. GOTTHELF. I do not believe that we are unreasonable. If the eastern men knew of the conditions, I think they would conclude——

Mr. TINCHER (interposing). I am not very much of an eastern man and come close to buying some of the cattle, maybe your cattle, after it has been on this land for five months.

Dr. GOTTHELF. Do you like the price of our cattle?

Mr. TINCHER. At times I do and at times I do not.

Dr. GOTTHELF. Do you think that it would be an advantage to pay 200 per cent raise on the cost of raising the cattle?

Mr. TINCHER. You produce cattle in competition with the man who pays $14 to $18 the last season and you pay 75 cents; of course you want that to go ahead; you do not want any disturbance in the condition?

Dr. GOTTHELF. No, sir. I am willing to trade the same ground across from me and pay his price.

Mr. TINCHER. You can get the other land, the other pasture?

Dr. GOTTHELF. But I can not do business where I am.

Mr. TINCHER. I can not understand that. First, you complain of the charge of the Forest Service, and now you complain of your neighbor.

Dr. GOTTHELF. The Agricultural Department maintained that these forests belong to all the people, and they send the tourists in there. They advertise that it is the national playground, and so a great many tourists come there. They are all right. They hunt and fish and camp there, but it is an encroachment upon our rights. Then, these men kill some cattle while hunting and drive others from the ranges.

Mr. TINCHER. That is what makes that land valuable, the tourists?

Dr. GOTTHELF. That is only a part.

Mr. TINCHER. And the tourists bother you?

Dr. GOTTHELF. There are a great many tourists that come to San Luis Valley. Sometimes they burn up our fences for firewood. They camp in the meadows.

Mr. TINCHER. Have you meadows on the forest reserve?

Dr. GOTTHELF. Not on the forest reserve, it is adjoining.

Mr. TINCHER. The Government has nothing to do with that?

Dr. GOTTHELF. No; the creek bottoms and the meadows.

Mr. TINCHER. You do not want to pay but 15 cents to pasture the cattle because the tourists come on the meadows adjoining and build fires?

Dr. GOTTHELF. No, sir.

The CHAIRMAN. I understand you to say that you had the Secretary of Agriculture's promise that you would not be limited?

Dr. GOTTHELF. I think that was an agreement entered into with Secretary Houston in 1918 at Cheyenne.

The CHAIRMAN. You think so?

Dr. GOTTHELF. I know there was an agreement entered into.

The CHAIRMAN. By whom?

Dr. GOTTHELF. By the Secretary—I do not know just about that. I think Mr. Tomlinson can tell you. He is the Secretary of the American Live Stock Association.

The CHAIRMAN. What is a written agreement or verbal agreement?

Dr. GOTTHELF. I could not say.

The CHAIRMAN. You say that you had permits in the forest reserve?

Dr. GOTTHELF. Yes, sir.

The CHAIRMAN. You are familiar with the terms of the permits?

Dr. GOTTHELF. Yes, sir.

The CHAIRMAN. Are you aware of the fact that the department reserved the right to revoke the license?

Dr. GOTTHELF. Yes, sir.

The CHAIRMAN. They read:

> This permit is not transferrable and may be revoked within the discretion of the Secretary of Agriculture?

Dr. GOTTHELF. Yes, sir.

The CHAIRMAN. How do you construe that?

Dr. GOTTHELF. I feel that the Secretary of Agriculture feels that conditions might arise in which it would be necessary to revoke the permit.

The CHAIRMAN. It says what he agrees to?

Dr. GOTTHELF. He agrees to revoke it, if necessary, for some purpose.

The CHAIRMAN. There was no agreement and so the contract might be revoked?

Dr. GOTTHELF. No; that clause is embodied in all the permits.

The CHAIRMAN. You stated positively that there was an agreement; what was the agreement, when and where was it made?

Dr. GOTTHELF. This agreement that took place at Cheyenne. I believe the Secretary agreed to authorize the forestry department to issue five-year permits to the permittees on the forest reserve, and that those five-year permits were not subject to change.

The CHAIRMAN. How was the agreement made?

Dr. GOTTHELF. I suppose between the Secretary of Agriculture and the Acting Forester. All of our permits ultimately come through the Chief Forester's office.

The CHAIRMAN. Did the stock men have an agreement with the Secretary?

Dr. GOTTHELF. I do not remember the exact reading of the agreement or what it was. An agreement was entered into at that time, but I did not follow it in detail.

The CHAIRMAN. You do not remember the statement by the Forester and also by the Secretary of Agriculture? It is up to you to show that you made that agreement, because you have alleged positively that there was such an agreement?

Mr. RAINEY. Did you say that the Secretary of the organization is here?

Dr. GOTTHELF. Yes, sir; Mr. Tomlinson, the Secretary of the American National Live Stock Association, is present.

Mr. RAINEY. Is he more familiar with that than you are?

Dr. GOTTHELF. Yes, sir; I think so.

The CHAIRMAN. He may answer the question; we want to get the facts before us.

Mr. TOMLINSON. There was no agreement.

The CHAIRMAN. There was no agreement?

Mr. TOMLINSON. No, sir; there was an understanding.

The CHAIRMAN. It is an alleged agreement that is denied by the Secretary and the Forester. This gentleman has alleged certain things.

Mr. ANDERSON. I think we ought to find out the facts.

The CHAIRMAN. I have the Secretary's letter here which makes it clear.

Mr. TOMLINSON. You have it practically right, Mr. Chairman.

The CHAIRMAN. I want to get it right in the record.

Mr. TOMLINSON. I think it was in 1916, the latter part, that the Secretary of Agriculture advised me as the Secretary of the American National Live Stock Association that they then had in contemplation making a 100 per cent increase in the grazing fees, and if my memory serves me correctly he informed us the matter would be discussed at the Cheyenne meeting of the association, which was held in January, 1917. The Secretary of Agriculture, Mr. Houston, came out there with A. F. Potter, the assistant forester, and we had a conference extending over two or three days. The Secretary did not then come to any decision, but took that under advisement. At this meeting in Cheyenne the representative stock men from the different Western States were there and protested against the increase. A great many of them felt that the charges which were then being imposed were sufficient. The Secretary returned to Washington naturally after the meeting, and I think it was in February he wrote me a letter stating he would put into effect for 1917 an advance of 33⅓ per cent, I think it was, or 35 per cent—I have all the records, but I can not recall the exact amount—I think it was 33⅓ per cent, and would take under advisement the imposition of any further charge.

He had his various subordinate officials in the West making what they call a survey of the conditions and preparing some values of lands similarly situated, and along in the latter part of 1917, I think, he informed us that he had decided to grant five-year permits.

I should have explained that one of the peculiar questions at Cheyenne was the instability of the tenure on the range; that is, a man would not know from year to year whether he would be raised or not. A good many of them wanted five-year permits not to be disturbed during that period. In his letter, if I remember correctly, the Secretary announced the five-year permits and said, in effect, that his examination had convinced him that the 100 per cent increase would be reasonable and that it would be put on in the following years and the five-year permits also granted. There was not any signed agreement; it was an understanding with the stockmen there to be carried out. They have proceeded on that theory. It is revocable under the terms of the grant. The men using the forest reservations in the West felt that the understanding would run along until the end of the fifth year of grazing period, which, I believe, ends in 1923 or 1924, something like that. Have I made it clear?

The **Chairman**. Was there any agreement outside that indicated in the letter from the Secretary?

Mr. **Tomlinson**. None at all.

The **Chairman**. I think the specific thing in the letter of the Secretary of November 23, 1918, is that they would not enter into a five-year agreement; that is specifically stated in the Secretary's letter to you. Your name is T. W. Tomlinson?

Mr. **Tomlinson**. Yes, sir.

The **Chairman**. Let me read this letter:

> On a considerable portion of the national forest we have reached the point where permits for a period of five years can be put into effect without difficulty. On certain other forests we are not in a position to grant five-year permits for more than a portion of the stock at present upon them, because there is serious question whether there is not now more stock than can be carried permanently without injury to the forests. There is also the extra stock which has been taken care of as a war emergency some of which we will not be able to continue, and for that reason should not be included under five-year permits.

And here is what Col. Graves stated in the printed hearing on the Agricultural appropriation bill:

> The Secretary's letter deals with grazing fees only in its first two paragraphs. The four following paragraphs deal with the extension of the policy of five-year permits. This letter makes no promise regarding the possible change of fees.

That is clear enough. They reserve the right to revoke the license.

Mr. **Tomlinson**. Of course, the committee understands the disability under which people operate on the forest lands. They feel that the present rates are reasonable, and we are hoping that your committee, before the thing progresses any further, will send a committee out there.

The **Chairman**. Let us discuss this matter for a moment. In this letter to you the Secretary says:

> In accordance with the conclusion announced by me on February 1, 1917, that the charge for grazing should be based upon the real value of the forest, I have decided that, beginning March 1, 1919, the charge for grazing upon the national forests during the year-long period will be from 80 cents to $1.50 per head for cattle, varying with the advantages of the different ranges. The rate for sheep and goats on each forest will be 25 per cent of the rate for cattle. The rate for horses will be 25 per cent more than for cattle, and the rate for swine 25 per cent less.

I understand you to say that is 100 per cent increase over the former rate?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. The average last year was 72 cents?

Mr. TOMLINSON. Assuming the 1917 grazing fees as the basis to start from, the Secretary has made a 100 per cent increase over that in the three years since.

The CHAIRMAN. The average rate before was about 36 cents?

Mr. TOMLINSON. I think 36 cents or 40 cents, somewhere along there. In some sections of the South it is $1.50.

The CHAIRMAN. $1.50 for the full year?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. You consider that a very reasonable rate?

Mr. TOMLINSON. Considering all the conditions, I am inclined to think that it is about as near correct and reasonable as can be arrived at.

The CHAIRMAN. The rate is about one-half of the rate they charge under similar conditions; that is, on other lands?

Mr. TOMLINSON. Well, that depends upon what you term as "similar conditions."

The CHAIRMAN. Adjacent land under similar conditions.

Mr. TOMLINSON. It is difficult to find adjacent land under the same conditions, Mr. Chairman. Under private ownership with proper water facilities, and so forth——

The CHAIRMAN (interposing). The rate is much higher?

Mr. TOMLINSON. Yes, sir. Take the Indian Service, their charges are very much higher. The stockmen consider that they are willing to pay higher charges. It is a big question which I should like to discuss with you at some length.

The CHAIRMAN. The statement of the Forester was that where the conditions are similar the rates are twice as high.

Mr. TOMLINSON. It is difficult to find land where the conditions are exactly similar. You might find three or four tracts which are under fence and under private ownership where a man has control of his cattle. On the forest reserves a good many stray over the range, and that extends the expense of feeding and the expense of gathering, and then there is the loss from storms.

The CHAIRMAN. The cattle have to be sold outside of the forest reserve?

Mr. TOMLINSON. Yes, sir; but they have to be hauled up the high mountain ranges.

The CHAIRMAN. You think that the rate of 72 cents compares favorably with $14 in other sections?

Mr. TOMLINSON. The Kansas grazing lands are abnormally high.

The CHAIRMAN. How about Texas?

Mr. TOMLINSON. It is true that from Wyoming and Montana they shipped down in Texas this year and got all the grass they wanted. The highest charge they paid has been a dollar a month.

The CHAIRMAN. What is the condition of the stock coming out of the forest reserve?

Mr. TOMLINSON. That depends largely on the forest. In Colorado they come off in very excellent shape if the forest is not overgrassed.

The CHAIRMAN. They are very careful to see that it is not overgrassed?

Mr. TOMLINSON. They were overgrassed during the latter end of the war.

The Chairman. Is it not a fact that there is better grass in the forest reserve than on the other land, as more acreage is allowed?

Mr. Tomlinson. Yes, sir. The average in the forest reserve is between 40 and 50 acres a steer and down in Kansas it is 3 acres to a steer.

Mr. Tincher. It runs from 8 to 3 acres.

The Chairman. You do not contend now that there is any agreement between the Secretary and the cattle men?

Mr. Tomlinson. That is my understanding. Of course, as I said, most of the stockmen think there is an implied understanding.

Mr. Hutchinson. Have you given the answer of the Secretary of Agriculture to the stockmen?

Mr. Tomlinson. Yes, sir; I had it printed and sent around to all of our members, gave it to the press, and gave it as wide publicity as I could.

Mr. Hutchinson. That there would be a five-year agreement?

Mr. Tomlinson. I just copied the Secretary's letter and sent it out without any comments.

Mr. Hutchinson. And it was their understanding that there was to be a five-year agreement?

Mr. Tomlinson. Yes, sir.

The Chairman. He says there was no such agreement. I have the letter. I read a part of it.

Mr. Hutchinson. Then, it was revoked?

The Chairman. No.

Mr. Tincher. You are the Secretary of the American National Live Stock Association?

Mr. Tomlison. Yes, sir.

Mr. Tincher. Do you favor or are you not in favor of legislation to regulate the packers?

Mr. Tomlison. I am strongly in favor of it.

The Chairman. You may proceed.

Dr. Gotthelf. If this committee would like to hear some of the reasons why we think this fee on the forest reserve is equal to that for other pasture, I can state in a few words my reasons.

Mr. McLaughlin of Michigan. Is that material to this inquiry?

The Chairman. The gentleman undertook to object to this reasonable fee.

Mr. Young. It is a big independent question and I do not believe that we should go any further into it now than we have gone.

The Chairman. I think that we should confine ourselves to the subject under discussion.

Mr. Rainey. Is there any other statement you wish to make that is pertinent to the subject under discussion?

Dr. Gotthelf. There was some talk the other day in regard to the price value of cattle, and it was asserted that the price of cattle had advanced appreciably during the last few years and since the war. I maintain that the price of cattle production, our class of cattle, has not advanced in proportion to their cost, that we are producing our cattle to-day where the price, that is, the cost of production, is greatly in excess of the advance in price. There was some discussion as to why the price of cattle had gone up. I think Mr. Morris stated yesterday that he believed that cattle had depreciated in value from 2½ to 2¾ or 3 per cent. I think on our class of cattle the price has depreciated more than that. That has been due to the war conditions. Since 1910, in the last 10 years, there has been an increase in the beef cattle alone of a little over 3,000,000 head and also an increase of a little over 3,000,000 head in the dairy breeds. The reason for that is purely economic. Sheep have decreased in the last 10 years nearly 4,000,000, to be accurate 3,838,000 since 1910. In the United States with a population of 110,000,000 people we have about 48,600,000 head of sheep. In a little country like England with a population of about 38,000,000 they have over 40,000,000 head of sheep. For that reason there has been a disparity in the price between the sheep and cattle industry. Another contributing factor to the decrease in the price of cattle——

Mr. ANDERSON (interposing). Did I understand you to say that the decline in cattle prices in the United States in 1919 was due to the increase in the number of cattle in the country?

Dr. GOTTHELF. I said that contributed to it; yes, sir.

Mr. ANDERSON. That there were higher receipts of cattle in 1919 than in 1918 at the markets?

Dr. GOTTHELF. No; I am taking the number of cattle according to the packers' census of the number of cattle in the country.

Mr. ANDERSON. The price would be determined by the number of cattle that came to the market and not by the number of cattle in the country?

Dr. GOTTHELF. Not entirely. The class of cattle that came to the market would contribute somewhat to it.

Mr. ANDERSON. As a matter of fact there were less cattle came to market in 1919 than came in 1918; is not that true?

Dr. GOTTHELF. I think it is; yes.

Mr. ANDERSON. Go ahead.

Dr. GOTTHELF. As soon as the pound sterling dropped off to a prohibitory export point, our exports in cattle came to a standstill. We have more cattle in this country to-day than we can use for home consumption, but the same conditions do not prevail in regard to sheep. We never did export mutton to amount to anything. We do not produce anywhere near enough wool in this country to meet our normal demands, and despite that fact the sheep have been decreasing for the last 10 years. I say "for the last 10 years"—3,800,000 has been the decrease since 1910. That may have fluctuated in a little degree in the year or two.

Mr. HULINGS. I would like to ask the gentleman the question, Mr. Chairman, which is not concerning this subject at all. I would like to ask him what relation the value of the average clip of the sheep bears to the value of the sheep itself.

Dr. GOTTHELF. That depends entirely on the class of sheep.

Mr. HULINGS. The ordinary, the average, making up the 3,800,000 sheep that you speak of.

Dr. GOTTHELF. I could not state for the average sheep that comes to market. In our country we raise mostly the merino breeds of sheep, and their wool is valuable, and they shear a good fleece.

Mr. HULINGS. I suppose it depends upon the character of the sheep and the condition and breed and all that sort of thing. But, yet, there must be some relation between the average value of the clip and the average value of the sheep.

Dr. GOTTHELF. There is. The fleece on these sheep may run from $5 to $10 a head in value.

Mr. HULINGS. That would not be an average?

Dr. GOTTHELF. I say I do not know what the average would be, because I am not familiar with that. In the East most of the sheep are light wool sheep, and in the West they are mostly heavy wool, merino type of sheep.

Mr. HULINGS. I asked the question to get some idea as to what the chances are in this country for increasing the wool clip.

Dr. GOTTHELF. Further curtailment of the forest conditions and prohibitory regulations of any kind that interferes with our marketing of stock always has a tendency to cut down the production of live stock.

Mr. HULINGS. You do not raise cattle and sheep on the same range?

Dr. GOTTHELF. We do in some instances.

Mr. HULINGS. I thought the cattlemen and the sheep men were at eternal war?

Dr. GOTTHELF. We used to be, but all our cattlemen are now sheep men. We had to run sheep to make cattle pay part of the bill.

Mr. TINCHER. You do not mean that the way you said it—run sheep to make cattle pay part of the bill. You mean run sheep to pay part of the losses on the cattle?

Dr. GOTTHELF. It depends on which way you interpret it.

Mr. TINCHER. I do not mean that they run sheep in order to make the cattle pay part of the running expenses of the sheep.

Dr. GOTTHELF. Oh, no; I mean that the sheep, in other words, have been more remunerative than the cattle.

Mr. TINCHER. That is what I thought you meant.

The CHAIRMAN. Can you tell us about the Cordiel sheep?

Dr. GOTTHELF. The Cordiel sheep are raised in Australia and it is a cross-bred sheep. We have a few Cordiel sheep in this country. King Bros., of Wyoming, have carried most of the Cordiel. They are bred from either a Leicester or Lincoln ram with a Rombouilette ewe.

I do not believe that the ewe Cordiel has been utilized a sufficient length of time in our western country to determine their real value at present. The only sheep I know of that have been raised in any numbers, outside of a few stud rams, have been half-blood Cordiel rams. The Cordiels have been bred back on other stock sheep.

The CHAIRMAN. I asked the question because the Government has been spending considerable money in experiments.

Dr. GOTTHELF. We feel in our part of the country, in the mountainous district, that there is no sheep that we can afford to handle as well as the Rombouilette, which is a Merino type.

Mr. ANDERSON. On account of his wool?

Dr. GOTTHELF. Yes.

Mr. ANDERSON. I understood you to say, Doctor, that you were under the impression that there were more cattle of all classes in the country in 1919 than in 1918.

Dr. GOTTHELF. I have taken the figures I have from Bulletin No. 10, February, 1920, of the Colorado Cooperative Crop Reporting Service, and it gives the total number of other cattle than milk cattle, in 1910, 14,178,000, and in 1920 there were 44,385,000; sheep, in 1910, there were 2,448,000, in 1911 there were 48,615,000. The ratio has not changed much in 1918, 1919, and 1920.

Mr. ANDERSON. Did I understand you to claim, then, that the slump in cattle prices in 1919 was due to the fact that there were more cattle in 1919 than there were in 1910?

Dr. GOTTHELF. I said that that was just one of the contributing causes to it. There were more cattle. Our export trade has been cut off and our outlet——

Mr. ANDERSON (interposing). As a matter of fact, there were less cattle in the country on January 1, 1920, than there was on January 1, 1919?

Dr. GOTTHELF. Yes; there are a few more——

Mr. ANDERSON (interposing). But the number of cattle in the country during 1919 compared with prior years would not seem to justify the conclusion that the slump in price was due to the number of cattle in the country.

Dr. GOTTHELF. There were more cattle in 1919 than there were in 1918 or 1917.

Mr. ANDERSON. No; there were not.

Dr. GOTTHELF. According to this report, in 1918 there were 45,000,000; in 1918, 44,000,000; in 1917, 41,689,000, an increase of nearly three million and a half.

Mr. ANDERSON. While you are wrong there, Doctor, I think it is because you are taking January 1, 1919, figures as representing 1919.

Dr. GOTTHELF. This bulletin was issued February, 1920, that I have.

Mr. ANDERSON. The 1919 figure there refers to the number of cattle in the country on January 1, 1919?

Dr. GOTTHELF. Yes.

Mr. ANDERSON. So that this slump occurred while there was a falling off in the number of cattle in the country, and not while the number of cattle in the country was increasing.

Dr. GOTTHELF. But that was only one of the contributing causes to the slump. There were the money exchange rates prohibiting the export of cattle——

Mr. ANDERSON (interposing). If the number of cattle in the country were falling off and the number of cattle coming to the markets were falling off in 1919 as compared with 1918, that fact could not have contributed to the decrease in the price of cattle at all?

Dr. GOTTHELF. Naturally, the men who could afford to hold their cattle would withhold them from the market as the price depreciated, hoping for a raise. We have been in that condition ourselves. There may be a good many more cattle marketed in the next few months than there have been for a good while.

Mr. AMMONS. I would like to introduce Mr. Charles W. Pace, of Longmont, Colo., a cattle raiser in that locality.

STATEMENT OF MR. CHARLES W. PACE, CATTLE RAISER AND CATTLE FEEDER, LONGMONT, COLO.

Mr. PACE. Mr. Chairman, I am a farmer, a cattle grower, and a cattle feeder, and I am president of the Boulder County Live Stock Association of Boulder County, Colo. My feeding ground adjoins the Longmont Sugar Factory, and my range is in the adjacent foothills of the Rocky Mountains. My breeding herd ranges between 500 and 600 head, while I feed from 500 to 800 more each year, making me the largest individual cattle feeder in Boulder County. On account of these operations, I am vitally interested in the pending legislation looking to the licensing of packers and commission men; and I desire to state in the beginning that after giving the Anderson bill the best consideration of which I am capable, I can not see my way clear to support it.

My interest is clearly that of the producer, and it is from that standpoint that I address you. I am fully convinced that the inevitable result of the enactment of this measure would be of vast injury to the live-stock men, while at the same time bringing no benefit to the consumer. I do not assume to speak for the packers, at whom the Anderson bill, with others of its kind, is aimed principally, but I have no doubt it would give them a great deal of trouble, as it would many others in other lines of industry.

According to my view the measure is wrong in principle and enters upon a general field of experimentation which may extend into dangerous realms; but I shall not undertake here to consider that phase of the discussion. My point is that the present system of disposing of live stock is satisfactory to the producer and should not be disturbed to the extent that it would be if the licensing system should be adopted, and that all such disturbances would react necessarily upon the producer.

I fear that it would be as it was with the railroads when they were under Government control. Then if we went to a railroad agent with a complaint about shipping facilities he put us off with the excuse that nothing could be done because the Government was in control. I apprehend that such would soon be the case if the packing business should be placed under Government direction as is proposed by the licensing and registration plans.

The establishment of the new system would inevitably in the creation of a vast governmental machinery which would add immensely to the already tax burdens, and, I fear, give us a far less satisfactory service than we now have. It must be borne in mind that the men who conduct the packing industry are men of long experience. Not only have most of them grown up in the business, but many of them have inherited, as it were, the facilities which peculiarly fit them for it. They know all of its intricacies, and while, as is to be expected, they use their business acumen for their own advantage, I find that the producer and the consumer profit from them, as witness the facilities supplied and the devices they have provided for disposing of live-stock by-products.

These advantages are the result of long attention to the details of the business. Who is to take the place of these men of experience? A commissioner, who, however experienced he may be, must necessarily depend upon inspectors, agents, or so-called experts. Thousands of them will be needed. Necessarily many of them will be young men, possibly civil service employees, who, whatever their general mental qualifications, can have little or no knowledge of the intricacies of the great live stock industry of the country. For myself I prefer to take my chances with men of tried capacity, even though they be personally interested in the business.

I may add that I am acquainted with the Denver buyers for the packing houses and with the management of the packing plants, and I can conscientiously say that never have I known of the employment of questionable methods by either the men or by the institutions they represent. I never have detected the slightest effort to defraud or take advantage of any shipper or producer. To be sure, they buy cattle as cheaply as they can, but there is keen competition and their operations are perfectly legitimate so far as I have observed them, and I have been watching them for many years in Denver and elsewhere.

As for the efficiency of the methods of the large concerns as compared to the smaller establishments, I may mention an illustration which has come under my immediate observation. A few years ago we had at my home town of Longmont three small slaughterhouses; now we have only one, and its operations are confined to the killing of a few hogs for small local producers. The reason for this discontinuance lies in the fact that the local butchers soon found that they could get their meat in better condition from the packers in Denver and that they could get it for less money than from the home establishments.

Another great advantage of patronizing a large control plant is found in the system of uniform cash payments. It is of immense advantage, alike to the farmer with a small bunch of cattle and the stock grower with a large herd, to be able to take his stock to market and turn them into cash upon arrival. That system, due wholly to the present plan, has saved many a man from having to pay usurious rates or from being crowded to the wall in an emergency.

The law of the survival of the fittest must be considered in connection with the proposed changes. Even under a license system the big packers would be much better prepared to protect themselves than would the smaller concerns. I verily believe that by the time the administrators of the proposed law would get the Big Five where they want them they would have every small packer out of business. The result would be the creation of great dissatisfaction and hardship among producers without giving the consumer any corresponding benefit, which is the very opposite of the professed desires of the proponents of the pending measure. The producers would be the great sufferers. Production would be curtailed. In the end prices would inevitably increase, and the consuming public would be in a worse condition than at present.

I am not among those who attribute all the blame for the high cost of meat to the slaughtering houses. If they are responsible, how do you account for the fact that the public pays as much for beef when it sells by the carcass for 14 cents as when it sold for 16 cents? Other illustrations could be given to show that often it is the retailer to whom high prices must be traced.

I would not create the impression that I would defend the packer in unjust and illegal practices, but I would not pick him out and make him the subject of class legislation. Already we have on the statute books many laws for the protection of the public against conspiracies and combinations to defraud, and I can not see why the present machinery is not sufficient for general protection if properly applied. I prefer going on as we are going to attempting an un-American experiment which involves the installation of new and costly governmental machinery, the turning over of a vast and complicated business system to novices, and the almost certain disturbance of the relations between the producer and his market without any assurance of adequate returns to the man with the market basket.

Before closing, I wish to say a word in behalf of the live-stock commission man. I don't believe that he should be burdened with a license, as is proposed. I have been in the stock business for 25 years. I have known many men of the commission firms in Kansas City and St. Joseph, and I am personally acquainted with all the commission men in Denver. I have been much about their offices, and I find the success of their business to be wholly dependent upon their honesty and fair dealing with their customers, the live-stock producers. I have done much business with them, and my association with them has been entirely satisfactory.

Formerly I went in person to the country and bought cattle by the trainload to feed, but of late I have left all such buying to my commission man. I find that they are well qualified to perform this service by reason of their superior acquaintance with market conditions and by the additional fact that they come to have a knowledge of cattle far in advance of the man who visits the yards only at intervals. Consequently, in the fall when I get ready to feed cattle, I go to my commission firm, inform them of the number and kind of cattle I require, and then go home and stay there, giving my attention to my own business while they attend to the details of purchase. They use their own judgment, and I never have had occasion to find fault with them.

Likewise, when my cattle are ready for the market, I turn over to the commission men the details of their sale. They keep me advised as to market conditions, and when they suggest that I ship, I do so, and I do not always accompany the shipment. I trust them entirely, and find their service good, as I also find their charges reasonable. I do not borrow money from them now, but formerly did so, and when I did I found I received just as fair treatment from them as I now receive elsewhere. I believe the commission men should not have this burden imposed on them.

But while I make this general defense of the packers and the commission men, I desire that it should be distinctly understood that the position I am taking is due to my conviction that the enactment of this bill into law would result to the injury of the producer, in whom I am especially interested because of my connection with that branch of the live-stock industry. And I feel that the consumer would also suffer in the end. The packers and the commission men are comparatively few in number and their business establishments are compact and well organized in every instance. Consequently they are in a position to protect themselves. The producers, like the ultimate consumers, are scattered from one end of the United States to the other. Necessarily, it would be impossible for them to get together, and necessarily they are the people who would pay the additional cost that this vast machinery would impose in the way of taxes and extra burdens due to red tape and inexperience; and, in short, in the end, be compelled to take upon themselves the new responsibilities which I believe the legislation would impose.

Mr. ANDERSON. Your idea of this bill is that it would establish the same sort of Government control of the packing industry as the Government had over the railroads during the war?

Mr. PACE. Something of that nature, I would think.

Mr. ANDERSON. That is all.

Mr. AMMONS. Mr. Chairman, I would now like to introduce Mr. Swayze, of Colorado, a hog producer near the city of Denver.

STATEMENT OF MR. C. W. SWAYZE, DENVER, COLO.

Mr. SWAYZE. Mr. Chairman, I am a farmer and hog feeder near Denver. I buy stock hogs on the Denver market and fatten them and sell them on the Denver market, and am around the stock yards a great deal and can not see how a producer or consumer can be benefitted by adding a multitude of Government employees with arbitrary powers.

I have taken particular pains to talk with most of the farmers I meet upon the subject, and while there is a difference of opinion in regard to some features of this proposed legislation, I think that the people are nearly unanimous in their preference for Government by law and not by rules. To test this assertion, on Saturday, March 6, at the quarterly meeting of Darden Pomona Grange, representing the 18 subordinate granges in Jefferson County, the following resolution was introduced, and after general discussion unanimously carried:

> *Resolved*, That, while we commend the efforts of Senators Kenyon and Kendrick in their efforts to obtain Federal regulation of the packers, we believe that Congress should pass the laws, and delegate to others only, the right to see that the laws are enforced.

I do not believe that very many people are in favor of Congress delegating to any subordinate body or bureau the right to make rules having the effect of laws.

The National Grange, at its last session, covered the matter in the following words:

> While recognizing the evils of uncurbed power growing from swollen fortunes in the hands of unscrupulous and ambitious individuals, the National Grange declares that in the Government of a free democracy is lodged ample power to curb all such evils. We declare our opposition to Government ownership and to nationalization of business and industry unless clearly required in the public interest. We favor the safe-guarding and protection of every right of private property on the broad ground that only by the full development of the right of private property can there be perpetuated the full measure of individual initiative and emulation upon which a democracy is based, and by which its future is assured.

Mr. ANDERSON. Where was this?

Mr. SWAYZE. At the quarterly meeting of the Darden Pomona Grange, of Jefferson County, representing 18 subordinate granges.

Mr. ANDERSON. When was this resolution adopted?

Mr. SWAYZE. Saturday, March 6, 1920.

Mr. ANDERSON. That is very recently?

Mr. SWAYZE. Yes, sir.

Mr. ANDERSON. Do I understand you to say it was adopted by the convention of the State grange?

Mr. SWAYZE. No, sir; by the Darden Pomono Grange representing 18 subordinate granges.

Mr. ANDERSON. Was the meeting called for the purpose of considering this question?

Mr. SWAYZE. Oh, no. It was a quarterly meeting. The Pomono granges are county granges and quarterly meetings are held to consider business of the grange of the county, and the members of all the other subordinate granges have the right to belong to it.

Mr. ANDERSON. How many people were present at that meeting?

Mr. SWAYZE. I should say about 100.

Mr. ANDERSON. Is it not true that the Farmers' Union of Colorado has indorsed this legislation?

Mr. SWAYZE. Well, I do not know exactly the way their resolution was worded. I think it was just a resolution indorsing the efforts of Senators Kenyon and Kendrick; but I do not know exactly.

Mr. ANDERSON. The efforts of Senators Kendrick and Kenyon are to get this legislation, are they not; that is what they are trying to do?

Mr. SWAYZE. This resolution says "We indorse their efforts to obtain regulation of the packers, but we prefer that they do it by law and not by rules." Most of the farmers, unless they are stockmen, are not familiar with what the law really means, and if you put the question up to them as to regulation by law or rules they will say "by law." But so far as the details are concerned, we think that Congress should cover it instead of delegating this power to bureaus.

Mr. ANDERSON. You think that all the details of whatever regulation is carried in this legislation on the general question of the packers and the stockyards, etc., should be carried in the law itself?

Mr. SWAYZE. So that the people would know what they had to live up to.

Mr. ANDERSON. I was wondering what arbitrary powers you were referring to in this legislation?

Mr. SWAYZE. Well, they have a right to make rules, and a man who wants to go into the packing business agrees that he will live up to these rules or any others they might make, or have a commission make the rules.

Mr. ANDERSON. I think you are in error about that. There is one provision of the law under which a packer can apply voluntarily for a license, but he is not required to apply for any license. However, if he does apply for a license, he is required to abide by the regulations; but he is not obliged to apply. I mean, he is not obliged to have any license under that provision. It is entirely voluntary with him.

Leaving out that question, I take it all you object to is the general provision which authorizes the commission or the Secretary of Agriculture to make rules and regulations not inconsistent with the law?

Mr. SWAYZE. Making rules having the effect of laws. That is the only feature I am contending about at this time. I might have any other opinion along that line.

Mr. ANDERSON. That is the general objection which you raise to all Federal legislation?

Mr. SWAYZE. Yes, sir.

Mr. WILSON. What would happen to a packing institution if they did not apply?

Mr. ANDERSON. Nothing, under the section he is referring to.

Mr. WILSON. Or any other part of the bill?

Mr. ANDERSON. Of course, under the other provisions of the bill they could not operate at all without a license.

Mr. WILSON. That is what I thought.

Mr. SWAYZE. There are several bills pending and some bills provide they have to and some provide it is optional.

Mr. ANDERSON. I think all of the bills have a section under which the license is optional with the packing plant, and the optional provision contains much more general regulatory features and much more general prohibitions than the compulsory part of it.

Mr. BORDERS. Whether they register or not they are still subject to rules and regulations as the commission may issue.

Mr. **Anderson**. They are subject to such rules and regulations as may be made by the commission not inconsistent with the law. But, of course, it can not be claimed by anybody that the power to make rules and regulations is the power to make any rule and regulation.

Mr. **Veeder**. If that power is delegated to make any rule or regulation, they can do so, can they not?

Mr. **Anderson**. Absolutely not.

Mr. **Borders**. Can you point out any limitation to that effect?

Mr. **Anderson**. We can point out a half dozen limitations. In the first place, it can not be inconsistent with the law.

Mr. **Borders**. What is the limitation?

Mr. **Anderson**. The law itself is the limitation.

Mr. **Borders**. Take, for instance, the Senate bill——

Mr. **Anderson** (interposing). I do not want to argue that question with you. If you want to go on the stand, I will interrogate you. I am talking to this gentleman now.

Mr. **Borders**. Pardon me. I just thought you wanted light.

Mr. **Anderson**. You fellows have been making a lot of broad, loose statements, about this legislation.

Mr. **Borders**. That is exactly why I asked you to point out the limitations. I would like to get down to brass tacks.

Mr. **Anderson**. It would have been just as well for you to have gotten down to "brass tacks," in some of the statements you have been making about the bill instead of getting "down to brass tacks" now, if you leave it to me.

Mr. **Ammons**. I come next. Do you want me to proceed now and use a part of the time or take a recess?

Mr. **McLaughlin** of Michigan. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon at 12.03 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

STATEMENT OF MR. E. M. AMMONS, OF DENVER, COLO.

Mr. **Ammons**. Is Mr. Dawson here?

Mr. **Dawson**. Yes.

Mr. **Ammons**. Mr. Chairman, I would like to clear up some matters and show the position of certain organizations in Colorado. There are a few short statements here in letters which I would like to introduce, and I can not see to read them. I would like, first, to introduce a letter from Mr. J. P. Klug, president of the Colorado Stock Growers Association. I will have it read by Mr. Dawson.

(The letter referred to was read by Mr. Dawson as follows:)

Colorado Stock Growers Association,
Denver, Colo., February 2, 1920.

Hon. E. M. Ammons,
Denver, Colo.

Dear Mr. Ammons: Referring to your inquiry, will say that I think the stockyards of Denver should be kept under the old management for the reason that they are the only certified and immune stockyards in the country. Therefore, they should stand out as a criterion against the other stock yards that will be put under different supervision, and thereby we will be able to note the progress that they will make compared with the new management under which the others will operate.

I think we ought to be able to have this granted us, as it seems to me that this would be the only way to build and make the Denver Stockyards what they ought to be, the largest in the country.

Very truly, yours,

JOHN P. KLUG, *President.*

Mr. McLAUGHLIN of Michigan. What is the date of that letter?

Mr. AMMONS. It is dated some time ago. I expected to be down here before. It is dated on February second last, and I want to make the statement that I saw him just a few days before I left Denver, and he said he occupied the same position to-day.

Mr. McLAUGHLIN of Michigan. May I ask you a question or two about that?

Mr. AMMONS. Yes, sir.

Mr. McLAUGHLIN of Michigan. With reference to the stockyards, some of the testimony we have is directed to the packing establishments as such and some to the stockyards as being something separate from them. Does this gentleman refer to the entire proposition?

Mr. AMMONS. Not in that letter. I am going to have a letter read relating to the other proposition showing just how he stands on it himself, but this relates only to the stockyards at Denver, and does not relate to any other yards in the country. I will explain that.

Mr. McLAUGHLIN of Michigan. Well, does it relate to the killing building?

Mr. AMMONS. No, sir; not the killing building or the packing plant, nothing but the yards. Now, do not hesitate to ask me if I do not make anything clear.

Mr. TINCHER. The gentleman that wrote this letter is president of the Colorado Association?

Mr. AMMONS. Yes, sir.

Mr. TINCHER. And the association has adopted resolutions pertaining to this legislation?

Mr. AMMONS. Yes, sir.

Mr. TINCHER. And we have those resolutions in the record at this time?

Mr. AMMONS. Yes, sir; I am going to explain those, if you will give me a few minutes and then you may ask me any questions you please about it. Now, here is a letter of March 4, and up to March 4 he stood the same way on this. On March 4 he gave me one expressing his opinion of this general legislation or the other feature of it.

Mr. McLAUGHLIN of Michigan. You may read that, if you wish.

(The letter referred to was read by Mr. Dawson as follows:)

MARCH 4, 1920.

Hon. E. M. AMMONS,
Denver, Colo.

DEAR MR. AMMONS: Replying to your inquiry in reference to the agreement between Palmer and the Packers as to lowering of the price of meat to the consumer, has been started in the wrong direction.

As I see it, the producer is producing cattle on foot way below cost.

In the first place, the producer must get an equitable price for his production where he can make a profit, or otherwise go into bankruptcy. Therefore the packer should not be eliminated from forging forward. If the packer was allowed to put in retail meat markets, for instance, one in each city, and sell meat direct to the consumer, you would find that he could afford to pay the producer $4 or $5 per hundred more on foot and the consumer would get his meat at a less price than what he is paying for it to-day.

In my investigations last summer I found, for example, where the packer paid the producer 12 cents a pound for a 1,000-pound steer on which the producer lost $50. The packer in turn sold this steer, dressing 600 pounds, to the retailer at 17 cents a pound, or $104.

The retailer in turn sold this steer at 36 cents a pound, making a profit of $114.

Mr. **Anderson**. Does that mean the whole steer?

Mr. **Ammons**. Yes, sir.

Mr. **Dawson** (reading):

This steer any butcher could cut up in one day. Therefore, you can easily see that the retailer is getting within $6 of the cost price of this steer which it takes the producer three years to produce.

Now, it looks to me that $35 to $40 would be a fair price for cutting up this animal, or for a day's work, thereby leaving $74. If $50 was given to the producer he could come out even and there would be $24 left that could be cut off from the consumer's end.

I wish while you are down at Washington you would see Mr. Palmer and tell him my views in the matter. I do not think that Mr. Palmer is doing this arbitrarily. Simply, he has been misinformed as to the real condition that exists with the producer.

I am sorry I could not go down with you, as I would like personally to put this matter up to Mr. Palmer and "show him the light;" but you can probably do it better than I.

Kind personal regards and best wishes; beg to remain,

Very truly, yours,

Colorado Stockgrowers Association.
By J. P. Klug, *President.*

Mr. **Ammons**. Now, Mr. Klug is a man who grew up in the business down in Weld County, Colo., starting with a very small plant. He has quite a large one now and feeds a great many cattle and does quite a good deal of farming.

I have in addition to this a letter from Mr. W. A. Snyder—we call him Bill Snyder out there. He is the largest operator in sheep and is one of the largest growers in the West. I would like to have that letter read and put in the record.

Mr. **Anderson**. Just a minute. I have no objection to its going in, but how far is this going to go?

Mr. **Ammons**. One more letter; that is all.

(The letter referred to was read by Mr. Dawson, as follows:)

W. A. Snyder, Sheep Dealer,
Denver, Colo., March 11, 1920.

Agricultural Committee of the United States Senate,
Washington, D. C.

Gentlemen: As one of the largest growers of sheep in this western country I wish to vigorously protest against the passage of the so-called "K. and K., and Anderson bills."

These bills, in my opinion, are going to do the producer of live stock in this western country a world of harm. The trouble with us now is that we have had entirely too much agitation and the whole industry is in a very unsettled and unsatisfactory state of affairs on account of it. Our business never stood on a more unstable foundation than it is standing on to-day, and the reason of this is because the American people have been led to believe that the live-stock producer and the packer are robbing them.

What we need to do now is to cut out agitation and let business get down to a normal basis. If Congress and the political parties keep agitating the people on this particular subject, the producer is going to be forced to produce less meat than he is producing to-day, and this would be the worst condition that could possibly happen to the consumer.

Attorney General Palmer made what looks to us like a fair agreement with the packers, and we are strictly in favor here in the West, o trying out this new deal of the Attorney General and see how it works before passing any more laws or creating any more bureaus, and I know that I have talked with enough live-stock men in this western country that my views are the views of at least 90 per cent of the money that is invested in live stock in this country.

Respectfully, yours,

W. A. Snyder.

Mr. AMMONS. I have one more letter. This is from Mr. Ben Kemper, president of the Denver Livestock Exchange. It is addressed to Mr. Haugen, and I should have presented it to the chairman, but I did not know he had addressed it in that way. I beg the chairman's pardon for that.

(The letter referred to was read by Mr. Dawson, as follows:)

THE DENVER LIVE STOCK EXCHANGE,
STOCK YARDS STATION,
Denver, Colo., March 11, 1920.

HON. GILBERT N. HAUGEN,
Chairman Agricultural Committee, House of Representatives,
Washington, D. C.

DEAR SIR: We want to protest vigorously against the Kendrick and Kenyon bill or the so-called Anderson bill which is now before your committee for hearing. Gov. Ammons, of Colorado, will represent us before your committee.

There have been ceratin statements made before your committee as well as the Agricultural Committee of the Senate, that the live-stock commission men were dominated by the packers, and that the shippers of live stock as soon as they were loaded and consigned he had nothing whatever to say in regard to the price they were sold for, or the manner in which they were handled. This statement is absolutely untrue. As an officer of this exchange, I have been engaged in the live-stock commission business for the past 22 years and in no case have I seen or known of any other sales in the yards where I have operated, where the owner of live stock was not consulted before or after the sale was made, providing the shipper was present, as it is customary where sales are made which are not satisfactory to the owner, same are canceled.

There has also been statements made before your committee that salesmen of live stock in the different markets were directly or indirectly interested in the large packing concerns. These statements we want to protest against, as they are not true.

The different live stock exchanges are organized not for any profits, but to enable the better handling of all shipments of live stock promptly and for the protection of the shipper as well. There is no other business I know of where the volume is so great and handled so efficiently as the live stock business. The losses sustained by the different exchanges have been virtually less than any other business.

If, in face of the many protests to Congress, you elect to disturb the industry and impose the expensive regulations on the packers, we see no reason why you should attack us. If the packers are licensed or put under any other name you might adopt, the commission men should be exempt, as we are acting solely as direct agents of the producer who is to be exempt.

As a representative of the producer, we find the present proposed legislation of the live-stock industry is working a hardship upon the producer and has a tendency to decrease the consumption of meat, which is causing heavy losses to the feeders at the present time.

Yours, very truly,

DENVER LIVE STOCK EXCHANGE.
By BEN. KEMPER, *President.*

Mr. AMMONS. In addition to these letters, I have other notes, but I will not bother you with them.

At a former hearing on the K. & K. bills, as they have become known out West, we had before the committee of the other House Senator Drake, from northern Colorado, the father of sheep feeding in Colorado and a man who has fed from forty to fifty thousand every year, and we had also Mr. Clayton, the largest operator in the handling of cattle, who has had as many as 100,000 head at once. In addition, we had representatives from every portion of the State here in their own behalf, not in behalf of anybody else.

I want to say at the beginning that I could probably make my statement a little quicker if I could see to read or if I could make notes, which I can not, so you must, perhaps, bear with me a little bit longer than you would otherwise.

I believe I know something about this situation, and my only object in being here, gentlemen, is that I may be able to give you an idea of what the sentiment of the people of the West is, and therefore be of help. I do not come in a spirit of antagonism on account of anything that has happened in other directions or in a spirit of antagonism to legislation in general. I realize that it is impossible to determine what the committee is going to report out. I can only take the bills themselves—and I have read them with a good deal of care—that have been before Congress, four of them, one by Senator Kendrick, one by Senator Kenyon, one by Mr. Anderson, which is the same as the Kenyon bill, exactly, heading and all, I believe, and one introduced recently by Senator Gronna as a committee bill, I presume. It is so referred to in the press. These I wish to discuss.

Now, I may just touch on other things as I go along. I wish to call your attention, first, to the situation of our stockyards out there. I know those yards. I went into the cattle business as a business and had no other business from 1885 to 1912. I did the work on the range myself, and I worked every day except a short time—I think six winters—when I was in the legislature.

I lived under this system of government of forest reserves, and I was interested this morning in Dr. Gotthelf's statement. Those reserves are not all the same. I have known that for a long time.

These stockyards were small affairs for a long time after they were started. They were started by private enterprise and run for what profit could be made out of them. They did not grow. Finally, those who were interested in packing plants, local, and at that time independent, and foreign, were induced to put some money into the yards to buy them and to enlarge them, and they were enlarged beyond the capacity required for the present business. That was constantly done up to the beginning of the war.

In trying to build a market there, we conceived the idea of starting a stock show. So we got together a lot of producers, including myself, the idea being that inasmuch as our range conditions, our feeding conditions, and all of our conditions of live stock production were different from conditions back in the corn belt, that we were not going to be able to convince people there that they could produce hogs or finished cattle or sheep except by an object lesson.

Now, I know about this because it is one of the things I was instrumental in starting myself. So a lot of us came together—producers, business men in Denver, who were interested in having a big market built there, stockyard owners and packing owners, and men representing the great breeding herds of the country, and we started the stock show, an annual event. Through this means we were able to convince those people that if we built a market there, it would be a good thing for all of us, and we have held that show for 15 years. It is known as the National Western Live Stock Show, and it is held at Denver. In those 15 years we have made wonderful progress, not only at Denver, but all through the country.

I have not the exact figures of production for the 15 years, but it is very different from 20 years ago to which period our first figures refer. In 1900 we had a live-stock production in Colorado of $16,000,000, and an agricultural production of $16,000,000. The very best figures that could be gotten this last year, the Government cooperating with its agents there as far as we could get them to, our Immigration

Bureau, etc., as given to the press, was $214,000,000 for live-stock production and $190,000,000 for agricultural production, both growing together.

By agreeing to pay rent, we induced the stockyards management to erect buildings for the show, which we were never able to do before. I do not know the exact amount because I never saw the books, but they built between $300,000 and $400,000 worth of buildings, and since this agitation has come up, they have asked us, the Stock Show Association, to take over the show, and we have done it. We ran it last year. This show has done a wonderful work out there.

Our feeding conditions are very different from those in the East, and every item of live-stock production and every item of production has been different, and we have been trying to build, of course, a local market in order to get our stockyards as close as we possibly can.

I believe I can say, without any fear of contradiction from any thoughtful person—at least, so far as my personal acquaintance goes—that these yards have been fairly managed, and I have been as well acquainted with the situation there as, I believe, any other man in Colorado, having been connected not only as president of the Live Stock Association and member of the board of control, but a member of the board of control of the American National Association, even when it engaged Mr. Thompson as secretary, and I have known that association from the beginning, and I know it pretty well—and I am quite sure that no thoughtful person will come here and say that any of the practices charged have taken place in those yards on the part of the owners or any unreasonable actions in connection with the business of those yards has ever been committed since the present owners have come into charge. Now, I recall very well——

Mr. ANDERSON (interposing). When did that begin?

Mr. AMMONS. Just a few years ago. I do not have those exact dates, Mr. Anderson; but it was a few years ago.

Mr. ANDERSON. That might be quite important.

Mr. AMMONS. It was probably about 15 years ago, as I recall it, but you know that I did not know, of course, when this management was changing, and probably a good many people were in the same position I was, but in the fall and summer months I had cattle there pretty often. Before we had these yards built I have gone there and found just one buyer for that class of cattle and I felt badly about that, many a time. Since we have had the larger yards, we have had more buyers and we have had competition. We have constantly had competition, and even if there was no one packer that wanted the cattle that I have offered for sale or have seen offered for sale, there is always a speculator who is figuring on what they are worth in other markets, and I will tell you that that speculator is absolutely necessary to keep up a market. Any practical man must know that that is true.

Now, sometimes the feeders are there and we have conditions where the feeders have wanted certain classes of cattle for short feed work more than did the packers, and they have bid higher, and sometimes the packers wanted them and they bid higher, but we have had competition ever since the present situation has obtained. As an illustration, in those yards, I believe, the demands of the industry have shown that where you are growing sheep there should be a market closer so the lambs—and when I speak of mutton it will mean the lamb, because I do not know of anything much else that is killed out there—that those lambs should be slaughtered close to production; and in order to provide for that, in addition to enlarging the packing plants, there has been built there what I am informed is the largest and best sheep barn in the world, looking forward to the time when we shall make this business grow and when we can send three and four carloads in one back to the eastern markets, instead of shipping them by live weight and going to all of that expense. Now, we have a great many things in contemplation there in building up that market.

The business men have always supported this market, for the reason that they wanted an institution in the city. There never has been any element controlling it. I can state truthfully that there never has been any controversy over that by those who have control and are in favor of building that market. Everybody, we believe, has been benefited.

I can not speak for these other yards, yet if this is the law, and I presume it is—this injunction here—it must be based on laws as they now exist and must be based upon the general charge that conditions that obtain in those yards tend to monopoly, etc.

We hope we will be able to make such a showing that these yards will be left in the present ownership—most of us, at least—for the reason that we believe we will get more improvement and better service than we will if it is turned over to those who have at heart only the interest of the money they can make out of the yards for the time being.

In the letter of Mr. Klug I referred to here first, who is at present the head of the State cattle growers' organization, he speaks only of the yards. He spoke of the other part of it in his other letter. A great many people have exactly the same sort of opinion.

Now, I want to take up another matter. There seems to be—I heard it especially here this morning and since I have been down here I have heard a good deal about it—some question about what the attitude of these organizations in the West is. You can not call a convention out West and get as many people there who are interested in the matter as you can in the East. We have about 1,000,000 people in Colorado, and it has over 100,000 square miles. No two of the valleys hardly join, and while we have a State association which is composed of a good many associations, by the way, yet we have a good many local associations where conditions are different, and I want to say that I have attend a few of these meetings, in one way or another. I always attend the State association when I can, and I was there during part of the discussion this last time. There were two things that were put up for consideration.

Mr. McLaughlin of Michigan. When was that meeting?

Mr. Ammons. That was at Denver during the stock show or just before it.

Mr. McLaughlin of Michigan. When?

Mr. Ammons. Just before the stock show, which began the 19th of January, on Thursday or Friday. Dr. Gotthelf, who is a member of the board of control, can tell me whether that is correct or not. I heard this discussion or a part of it there both ways. There was a contending force from the market committee, and the influence of the American National Live Stock Association in favor of this packer legislation and the bills that had been introduced. There was a great element there that was opposed to it, and they even carried it into the election of officers. The vote of the association is represented by the vote of their association, and one association may have only one or two delegates. After a while both sides prevailed in a certain way. They put in a recommendation for legislation, but they also put in that recommendation which was foted for unanimously I am informed—I was not present when that vote was taken—that whatever legislation was found necessary to control this industry should be by fixed rule of law and not by giving discretionary power to bureaus or boards.

This same contest was up at Spokane. I was there. I was never out of the hotel until after it adjourend. I was there the night before and I was through all of it, and I was present in the room the entire time, except during a conference between the two wings in the resolutions committee when they could not possibly get together. Then I was called out there by Dr. Wilson, who will appear before you, and got them to agree upon a compromise, which you heard read here this morning.

It was impossible to get those people together upon that point, and of the delegates that were there—and I talked to a great many of them, I have no doubt—and I know positively that more than a majority of them were against this in any form.

Mr. ANDERSON. In the resolutions committee?

Mr. AMMONS. No; not in the resolutions committee. The resolutions committee was not appointed by the convention.

Mr. McLAUGHLIN of Michigan. How were they appointed?

Mr. AMMONS. They were appointed under the rules of the organization by the executive committee the day before. They have certain rules which we are going to try to change. I have belonged to the organization a long time. When they were trying to get together I was in there, and they passed this, and I say I have no doubt in my mind that a very large majority of the delegates present occupied the same position that the Colorado, the Arizona, the Idaho, and many other delegations occupied—that it should not be turned over to any bureau. There never was a test vote on that.

The resolutions committee failed to agree. They turned in a majority and a minority report—I wont say that even. Nobody yet knows whether there was a majority report or not. Two reports were turned in. No one to-day, I believe, is in position to say which was a majority, but perhaps there may be, but we were unable to discover. The two reports were put in and they started to debate it and give the two sides, and I myself suggested to the president, whom I tried to help to hold the organization together, a conference might be able to get them together on this proposition.

I do not know whether I was ever appointed on that conference committee or not, but I was called out by Dr. Wilson, of Wyoming, and asked to go in there and see if I could get them together, and this compromise—it is a good deal of a jumble—was agreed upon.

The interpretation which the delegates on one side of that house had of this resolution, and the other also, it seemed, because I talked to them afterwards, was that whatever legislation there was should eliminate this bureau feature absolutely. The other side wanted the words "prompt legislation." That was stricken out, and you do not find it in the resolution to-day.

The idea of most of these delegates was that wherever legislation should be found necessary, it should be by law and not by bureau action.

Now, gentlemen, that is the situation up there. The same thing occurred down at the Arizona meeting, as I know, because I was present when it rescinded the resolution adopted last winter. I sat there and watched the proceedings.

And, over on the western slope in Colorado, there is an association known as the Western Slope Association. The conditions over there are very different from those on the eastern slope. It is a sagebrush country and it differs in other respects also. There is greater rainfall in the mountains above. I attended their meeting over at Rifle. I do not know that every member of the association was present, because the weather was pretty bad, but there was a good attendance. I believe there was a larger attendance than there was at the State association meeting in Denver, and I heard the discussion there and it was over this bill. The bill was explained, and a member of the State Stock Inspection Board, an official organization, moved that they declare themselves unanimously against this bill, and the motion carried unanimously, because one vote would have defeated it.

Mr. PURNELL. Was there a thorough discussion of the matter?

Mr. AMMONS. Yes, sir; there was a thorough discussion, lasting most of the day.

Mr. ANDERSON. Where was this?

Mr. AMMONS. At Rifle, Colo., on the western slope.

Now, I have gone into this time and again, and, gentlemen, I want to make this statement to you, and I am doing it honestly because I do not want you to be misled: There are elements that believe in a change in our form of government to this paternalism or control. A member of the Trades Commission told me in New York, on about the 2d of December last, that there are two schools of legislation down here, one preventive and the other parental, and that the parental wing of it was in control here.

Whatever you feel you must recollect this, that these people out there who take the agricultural or other papers do not get to hear very much about what goes on. They do not hear much of what you are doing in Congress. They hear that here is a bill to regulate the packers and they have seen reports from the Trade Commission time and again, not explicit and not full, but telling them that this is to regulate the packers, and they have combined it all with this high-price proposition. They think that is all they have to do; and I venture to suggest here to-day that there is not one in a thousand of them who has read these bills, not one in a thousand.

I have found people who have stood for the bills. I found them in Texas, and they were very strong; but just let one of them get hold of that bill and read it and I have not found an exception yet, except the men promoting this measure, and they have not stood for that principle. Not one. You will find that in Colorado, and you will find in the others of the Western States just exactly the same condition. They do not understand what this bill provides for, and if you want to take the bills and read them in any meeting of men who have to do business in the forest reserves, you will find them absolutely unanimous against them if they dare to express themselves.

I am sorry you eliminated the forest proposition. I lived within the first reservation, I think, that was ever put in our State, and I am under one yet.

Mr. McLaughlin of Michigan. Under what?

Mr. Ammons. Under a forest reserve. They are under this same form of Government.

Now, let us take up these bills——

Mr. Anderson (interposing). Are you suggesting that we have the same law in reference to the forest reserves that we have on the public lands?

Mr. Ammons. Absolutely; yes, sir. I am not afraid to say what I think. I lived where the Pike's Peak Reserve is to-day and was in the cattle business there long before a forest reserve man came there. I was there when Col. Ensign, of Colorado Springs, came up to look over these boundaries that had been temporarily established. I said to him, "You do not want to include this territory up north here where they have nice little homes and where the timber has mostly been cut off." He said, "You have got an entire misunderstanding of this. What we want to do is to protect the timber. We are not going to interfere with your business in any way."

We had some little property up there and we were trying to build it up. The improvements were a great deal better then than they are to-day, a great deal better, and there were more people living there then than there are now. Moreover, the carrying capacity of that territory was double then what it is to-day, despite the figures that have been given out and published, official, but untrue. When Col. Ensign went away, he included everything he could get inside of those lines in the reservation. They attempted to put in this permit system, and we called attention to this fact because I went with Col. Ensign to show him the boundaries. We did not go clear across the reservation.

We went up into Lost Park. It was pretty stormy. He thought it was pretty bad weather for an old gentleman like himself and he did not go any farther. I am not blaming him for that.

After that, when the first man came along in charge of that reservation, he said, "Col. Ensign had no authority to make the promise he did"; and let me tell you, gentlemen, that there is not a live-stock man out West, I do not believe, who has not had the understanding that this five-year permit was to be in lieu of the raise of those fees. I have not seen one who did not believe that. I do not care whether it is a contract or not. None of those contracts amount to anything. If you ship cattle, did you ever read a shipping contract? I never saw a man who did, because he could not ship cattle anyway unless he signed that contract, and you can not get on those reservations unless you sign that contract. What good does it do? It is not a contract. I heard something read here about the difference between grazing on those forest reserves and grazing on privately owned lands. There is every difference in the world.

I have been on both, right side by side for years, and when I hired a piece of pasture privately owned, and had a contract drawn up, it was binding on the other fellow as well as on myself; but when I got a contract with the Government, it was not. Any day in the world, for any fancied wrong, the Government can order me off of there, and if that is Americanism, God forbid us from ever establishing that sort of Americanism in this country. You do not want to live under it, and your business ought to be controlled just as mine. And that is all we ask—for fair play. You can not tell me that you can control one business in one way and another one in a different way.

I want to take up just two or three things in these bills. Under this bill you are going to license, and under the Kenyon bill also, because both of them are the same.

Now, just wait a moment and let me take up the title of these bills, and I have not seen one of this class of bills in my life that has not had a misleading title. I do not charge Mr. Anderson with being the author of this bill. I am told by a member of the Trade Commission that it was written over in the Agricultural Department, and it makes no difference who introduced it. I suppose that is true. They are doing everything in the world they can to extend their jurisdiction and control over this territory.

Mr. ANDERSON. I will just correct you there by saying that the Agricultural Department never saw this bill before it was drawn.

Mr. AMMONS. Perhaps not; I have told you what my authority was.

Mr. ANDERSON. I do not care what your authority was, it is not true.

Mr. AMMONS. I did not say it was true. I say I was told by a member of that commission.

Mr. ANDERSON. Senator Kendrick's bill was drawn in the Department of Agriculture.

Mr. AMMONS. Perhaps I have got them mixed.

Mr. MCLAUGHLIN of Michigan. What about the title. You were about to say something about that.

Mr. AMMONS. The title says "to stimulate production."

Mr. MCLAUGHLIN of Nebraska. Correct.

Mr. AMMONS. I can not discover to save my life where this legislation can stimulate production. In my honest judgment, and in the honest judgment of almost every producer in the West, it will have directly the opposite result. I can not see how it can stimulate anything, directly or indirectly. It is like improving the ranges. They have not been improved. You have reports that they have been improved, but personal observation by those who have known them before and since will substantiate differently, and after hearing this discussion this morning, gentlemen, I do not care what other investigations you have, you ought to send a committee to the West and hear from the men themselves on this subject and go yourselves. After all the misstatements of the facts have been given you, you should do that, and if you will I will be willing to trust the legislation you will enact.

In this bill, there is a provision to license the collections of news concerning market prices and so forth. It is pretty hard to tell how far that is going.

If you attempt to license the papers, you will have to license every daily paper in our town, and I suppose in all the other cities in the country, and who is going to say what they shall publish?

I have watched the market news service out there all my life. I have relied on it. I never have found a time when they misstated sales. They guess at the quotations, and nobody can tell just what that is, because no one knows the class of his cattle. I know that myself from experience. One steer dresses very much more than another, and a little difference makes him worth more; but if you watch the actual sales, you will know what the cattle brought.

What are you going to do to change that? If you are going to license them, one thing is certain, that the man who gets the news has either got to be licensed or every paper that carries it. Are you going to put a censor to say what they shall publish about the market? Who is going to be the censor, and how far is he going to be controlled? How can you defend yourself against anything he does? There is nothing in these bills to give you any protection against any injury that may arise from these quotations; not a thing.

Mr. ANDERSON. What remedy have you if the packer quotes it wrong.

Mr. AMMONS. We have not any papers of that kind and we do not notice the difference.

Mr. ANDERSON. You say there are not any packer-owned papers?

Mr. AMMONS. Not in our yards.

Mr. ANDERSON. You are part owner of a paper, are you not?

Mr. AMMONS. No; I bought a little interest in the Western Farm Life, which I sold.

Mr. ANDERSON. At the time you were interested in that paper, was any part of it owned by Swift & Co.?

Mr. AMMONS. Not that I know of. There were Fred Johnson and myself and Edmonston. Edmonston has bought it now.

Mr. ANDERSON. I shall ask the Federal Trade Commission to produce what evidence they have as to that.

Mr. AMMONS. I do not know anything about that. I know they did not own my stock.

Mr. ANDERSON. I am not charging that.

Mr. AMMONS. If anybody else owned stock, I do not know who it was, I sold my interest in it. As a matter of fact, that paper was started in connection with our insurance company. We had a Western Farmers' Life Insurance Co., and we started the paper then, a little bulletin. Then it branched out and Fred Johnson came in with me and ran it because the company had lost about $1,000 in running it. Then we turned it over into a farm paper and got Edmonston, who had some paper—I have forgotten the name of it—up in Wyoming, to combine the two and take the lists and start the paper. I helped him a little with that, if you want to know what the facts are about that. If anybody else owned it, I do not know anything about it. Edmonston has bought it himself.

Mr. McLAUGHLIN of Michigan. Would you have an opportunity to know who were the interested parties?

Mr. AMMONS. I have never inquired any further than that. If anybody represented any stock, I did not know it. I write for the Great Divide—perhaps it will be said that they own that; I do not know—I write by contract.

Mr. ANDERSON. Do you write for the Record-Stockman Publishing Co.?

Mr. AMMONS. I do not. I wrote an article for them on request. I did that as president of the stock show, and I write for Field and Farm or anybody else. I have agreed to write an article on the importance of the live stock industry for a new magazine that they are going to start at Santa Fe.

Mr. ANDERSON. This is Fred P. Johnson, that you refer to?

Mr. AMMONS. Yes, sir; he and his brother own that paper.

Mr. ANDERSON. President of the Record-Stockman Publishing Co.?

Mr. AMMONS. Yes, sir; he and his brother own that paper.

Mr. ANDERSON. Are you sure that part of the stock of that company was not owned by the packers?

Mr. AMMONS. It was owned by the packers for a while—which ones, I do not know. They have sold it out, and Fred's brother, who was down here until a year or two ago, has bought the balance of it, so he tells me, and I believe he was journal clerk of the House and was in the newspaper business here. He was down here last summer.

So far as newspapers are concerned, I give out interviews every once in a while. There is only one paper I get any pay from and that is when I write for the Great Divide. I write for it just what I please, and that is the contract. I write my own sentiments and I have to write something every week. Anybody who knows anything about the situation knows that that paper is not controlled by the packers. It is owned by Tammen and Bonfils, who are the owners of the Denver Post.

Mr. ANDERSON. If they know anything about it, I would like to have them testify.

Mr. AMMONS. I think they would make very good witnesses. You can consider everything I say as under oath, if you want to.

Mr. MCLAUGHLIN of Michigan. If you do not approve any suggestions made to you, you will treat them as yours, and if you do approve them, I suppose you will, and we will accept them as your statements then.

Mr. AMMONS. Yes, sir; that will be all right; thank you.

Now, if I can just carry this argument a little further—if this is Americanism, the Constitution gives us the right, if I can read it correctly—I am not a lawyer, and Mr. Anderson, I know is—the author of this bill—and some others I have heard ask questions here must be lawyers—if I can read the Constitution aright, we have the right to a free press in this country, neither controlled by one interest nor another, and the press should not be in any direction controlled. There should be an absolute freedom, as there is and has been, to my personal knowledge, as to the sales that are actually made and the prices paid.

If anybody is aggrieved, he has his recourse before the law. If it is proper to censor a newspaper that is giving news service that is of vital interest to every single producer that goes on the market, it is just as reasonable to censor papers publishing matter relating to the official acts of States and the Government. How long do you think the people of this country would stand for an administration publishing a journal to tell exactly what the official performances are at the National Capital? I do not need to go into that further. That is perfectly ridiculous, and you should not enter the wedge here.

If you want to pass a law making it a felony, if you like, or imposing a fine, if you want it, or anything else, upon any newspaper that publishes even a misstatement—make it a misdemeanor to publish even a misstatement as to sales, I will be with you. Make it anything reasonable that goes into the courts and gives that man an opportunity to be heard like any other man charged with an offense, but when you say you will give a man discretionary power and send him out there 2,000 miles from here to say whether certain things shall go out in that news service report or not, and dictate what shall go there, then I object.

You must recollect that those of us who have had to live under these laws are a good ways from Washington. We are not complaining against the men out there. I think they do awful well considering the system under which they have to live. The system is indefensible from every standpoint. It is responsible for the high prices of lumber ever since the forest reserves were established.

Over in Grand County, where I have lived for several years, until this year, there are at least six or seven months in the year when you could not get in there on account of the snow to steal a stick of timber or to set a stick of timber on fire; yet they do not reduce the force at all, and they are the only two evil things that any one could do there. That is true all along that range. However, I do not want to drift on to that, because you do not want that taken up now.

But as to the stockyards. I have presented some facts to show that they ought to be left where they are, because we get better service and will be assured of improvements if the ownership is left where it is. However, if you find it is absolutely necessary that these yards should not belong to the packers or to those who own the packing institutions, all you have to do is to pass a law saying that they shall not own them, and it will not take a half dozen lines to do that. You do not need to appoint somebody to say how far they shall own them or whether I may and somebody else may not. Make that a rule of law that applies to everybody.

Why do you need a commission to have discretionary power over them to any extent whatever? I am not ready to admit that there is a single thing in the world that needs regulation in America that can not be regulated by law. It is the very foundation of our institutions. Our people have been assured a government by law; that it shall not depend upon the prejudices, the caprices, the misjudgments or the wrongdoings of any individual; that it shall not depend upon the life of any individual, and I want to say that I do not believe either the Government or the President should have the fixing of a policy. The people fix the policy of this Government and should fix it through their legislative bodies, and the only policy of the administration, I care not where it comes from, is to carry out the policy fixed in the laws of the land by the people themselves, and when you attempt to give administrative officers, I do not care where they are, powers, and delegate to them powers to establish rules and regulations, you are delegating to them something which they ought not to have.

The only danger absolutely to this country is this kind of legislation. You are departing from it every day. I was told out at Spokane by one man who offered a compromise resolution—he said and he wrote in the resolution—and he is a high official in this Government—"as much as possible this should be regulated by law."

I would just as soon cut my right hand off as to subscribe to that sort of doctrine—"as much as possible." There is nothing but what can be controlled by law; not a thing in the world, and this administrative bureau idea that has been put into effect has done more harm in the West than anything else or all other things combined.

Now, gentlemen, there is not an offense mentioned in this bill that can not be controlled by law. The Attorney General has obtained an injunction that includes everything but one. Right or wrong, that is the law now, founded on statutes of one kind or another in existence, and the court has determined it, and it applies to everybody, wherever found. Until something new is pointed out, that law should stand. Whenever there is anything new, you ought to pass further legislation to control it, and you will not find me here opposing that. If it is anything in reason, you will not find anybody who has been down here with me that I know of who will do that.

People may have disagreements in matters of legislation, but as to the right or as to the duty of Congress to pass laws whenever they become necessary, there can be no disagreement between any two good citizens of the country; none.

You say that we can not administer the law without a bureau. If that is becoming the sentiment of this country, it is time we had a national campaign on that issue. If Americanism can not stand on any of these questions, it is time we were finding it out. There is nothing in this bill that can not be controlled by law; not a single thing.

Why, Mr. Chairman, for 20 or 25 years we have been trying to get just one simple provision in all these bills relating to this forest reserve system, and other matters out there, and that is that there should be an appeal to the courts; and we can not do it. Now, perhaps you question that.

Mr. ANDERSON. No; I do not, but if it has taken you that long to get that sort of law on the statute books, how long do you think it will take us to get a law that will regulate the packing industry?

Mr. AMMONS. Well, sir, I am getting discouraged. It has become a fact, so far as my observation is concerned, that as soon as a bill is introduced here by a Congressman, it is referred over to the department to which it has relation, and unless that bill comes back with the O. K. of that department, it has no chance to succeed here; is that true?

Mr. MCLAUGHLIN of Nebraska. Absolutely not.

Mr. AMMONS. Now, show me some that have related to our industries out there that have passed without the O. K. of the departments. We have a great many. I can tell you of a great many, and at one time we did get one, the only one I can recall; absolutely, Mr. Chairman, the only one I can recall was a provision put in the agricultural bill providing that the foresters should not use any portion of the money given to them for propaganda. They went over and got a ruling somewhere or other that they did not have to pay any attention to it, and they never have until this day.

Mr. MCLAUGHLIN of Michigan. Where did they get that ruling?

Mr. AMMONS. I am not sure whether it was the Attorney General's office or not. It was a good many years ago, but I recall it very well.

Mr. MCLAUGHLIN of Michigan. Do you mean that propaganda is carried on just the same now as it was before that provision was put in the bill?

Mr. AMMONS. Yes, sir; I do. I can not tell any difference in it. That is where these things are leading to.

Mr. McLaughlin of Michigan. I am very familiar with that provision, and that same provision was to the effect that men connected in one capacity or another with the Forest Service should not travel around and attend meetings and speak, except directly in connection with the work they were doing as forest officials.

Mr. Ammons. We did not understand it that way.

Mr. McLaughlin of Michigan. Well, that is part of the same provision you referred to. What I speak of is in addition to the provision forbidding the use of money for propaganda. You say the portion of that law forbidding the use of money for propaganda has not been observed; has the other provision been observed? Do men connected with the Forest Service travel around and take part as actively in meetings of one kind and another as they did before that law was passed?

Mr. Ammons. I want to say that I have not been to any meetings when they were not there, and generally several of them, and they always addressed the meetings; all of them I have attended. They told us—one of your high officials told us at Denver that he had to be autocratic or arbitrary once in a while, but he thought it was a good thing for the administration of the forests that he should do that; that it was necessary, and he could not help it.

Mr. McLaughlin of Michigan. You say there is no appeal——

Mr. Ammons (interposing). There were at least two who talked over at that meeting at Rifle. They were supervisors. I have not attended one of those meetings since the very start that there were not a great many of those officials there. The people think they are under watching. Do you think, if you lived in one of these reservations, and your business was dependent upon it, do you think you would not try in every way in the world to please that fellow who is in control of the situation over you? You have no way to protect yourself, sir. If you wanted a homestead——

Mr. McLaughlin of Michigan. When you come to a stopping place——

Mr. Ammons (interposing). I want to be courteous and answer every question I can; I will be glad to answer your question.

Mr. McLaughlin of Michigan. When you have finished your statement.

Mr. Ammons. Very well.

Mr. McLaughlin of Michigan. You have stopped now just for a moment. Do you mean to say that you have no appeal to the courts?

Mr. Ammons. We certainly have not.

Mr. McLaughlin of Michigan. By reason of existing rules or regulations?

Mr. Ammons. That is the advice we have from the attorneys out there, and they are unanimous on that.

Mr. McLaughlin of Michigan. It is true that those rules and regulations have the force of law, but the only way they can be enforced as against the person against whom the charge is directed is in the courts.

Mr. Ammons. That may be in theory, but it is not in practice.

Mr. McLaughlin of Michigan. If there is a rule out there and you should violate it and the supervisor of the forest or some other officer should come and take you to task for it and impose a penalty upon you and you should submit, why, that is one thing, but there is an opportunity for you to have it tried in court; if you do not submit, it must go into court.

Mr. AMMONS. We have had a great many experiences out there and I have known of some of them personally. I recall in 1913, in the early part of the year, a man in North Park was arrested because his milk cows had drifted onto an unfenced forest reservation. The man who arrested him brought him down to Denver and took him up to the United States district court and persuaded him to plead guilty. I found it out and I asked the Attorney General to go down there and advise him not to plead guilty and that he would get a trial. As soon as they found that the State was going to try it, they dismissed it. There have been a number of instances.

A member of the legislature came to me the other day, Mr. Wilkins—he wrote me a letter and I am sorry that I did not bring it along. There was a returned soldier who lived there, a young fellow who had a piece of privately owned land, and right adjoining the reserve was a meadow that cut about 40 tons of hay, so I am told. He wanted to get that as a homestead, not for the timber, that was right on the edge of the reserve. They reported against it, and so he does not get the land. Is there any appeal there? He can appeal to the head of the same department, but it is absolutely impossible to go into court. As I recall, he took the paper to Judge Lewis, who succeeded Judge Van Devanter, who is now sitting on the Supreme Court Bench here. I do not know that I can recall the particulars, but I recall this much. If they do not misstate, and I do not believe they do, the land office in Colorado told him what to do, and we thought that we had him, but we did not. We did not have him for the reason that Judge Lewis declined to take jurisdiction, because the case belonged to another department of the Government.

Mr. MCLAUGHLIN of Michigan. I do not quite understand that.

Mr. AMMONS. I know you do not understand it or you would not make such statements as you did this morning about the value of grass out there.

Mr. MCLAUGHLIN of Michigan. I made no such statement.

Mr. AMMONS. I misunderstood you.

Mr. MCLAUGHLIN of Michigan. I made no statement whatever.

Mr. AMMONS. I am not charging you personally.

Mr. MCLAUGHLIN of Michigan. I am trying to get information.

Mr. AMMONS. I will be glad to give it to you if I can.

Mr. MCLAUGHLIN of Michigan. I have been here a pretty long time and I should like to know your opinion as to how these forest reserves are conducted, and I think the other members of the committee want to know about it. I think it is somewhat out of the line of this inquiry.

Mr. AMMONS. I beg your pardon, Congressman.

Mr. MCLAUGHLIN of Michigan. You said that a man wanted to homestead a piece of land out there?

Mr. AMMONS. Yes, sir.

Mr. MCLAUGHLIN of Michigan. Was that in a forest reservation?

Mr. AMMONS. Yes, sir; just inside the line.

Mr. MCLAUGHLIN of Michigan. And you complained because he could not do it?

Mr. AMMONS. Yes, sir.

Mr. MCLAUGHLIN of Michigan. That was absolutely contrary to law.

Mr. **Ammons.** No; it was not. He had applied for it.

Mr. **McLaughlin** of Michigan. There is no authority that would permit the entry of that land as a homestead, and those who have to do with the Government's side were entirely right and acted entirely according to law.

Mr. **Ammons.** I beg your pardon. He applied for it under the law and he followed every provision of the law and then the local officer recommended against it and he did not get it.

Mr. **McLaughlin** of Michigan. Governor, this is the situation. When the forest reservations were established their boundaries in many cases were very large?

Mr. **Ammons.** Yes, sir.

Mr. **McLaughlin** of Michigan. Larger than justified.

Mr. **Ammons.** Yes, sir.

Mr. **McLaughlin** of Michigan. There was included in many reservations land more suitable for agriculture than for forestry. That was very easily seen. A law was passed providing for the examination and investigation of all forest reservations for the purpose of determining the land more suitable for agriculture than for forestry. When it was determined that any portion of the land was more suitable for agriculture it was set aside and made subject to entry. If it was determined that it was more suitable for forestry it remained in the forest reservation and was not subject to entry. If this land had been looked over, investigated, and segregated and if it had been determined that it was more suitable for agriculture and therefore subject to entry, there was a way by which that man could have made a homestead entry. If it had been retained in the forest reservation as more suitable for forestry there was no way on earth, except by an act of Congress, that he could get it.

Mr. **Ammons.** Have you finished.

Mr. **McLaughlin** of Michigan. Yes, sir.

Mr. **Ammons.** The law provides that if a man applies for a homestead that it has to be designated before he can get it. He has no appeal from that. It might be the finest piece of farm land in the country, but there is no appeal.

Mr. **Anderson.** What is the need for any appeal—has he acquired any rights?

Mr. **Ammons.** There is necessity in that country for the homesteading of the land. That is a spirit that you gentlemen do not appreciate at all. You gentlemen who seem to be very well settled in the East, do not appreciate that we have 66,000,000 acres of land in Colorado and that we are trying to maintain a State government and build roads through the mountains. We get some help and are glad to have it. They are nearly all the most expensive roads, through the mountains, and through the forest reservations. There is some of the most valuable land in the State, and we can not get one single iota of relief by applying to this service. There is no way to get into the courts. It is through the discretion of the Secretary—it is not the Secretary, but somebody under him who decides it. You will find that same principle here if you put this packing industry under the Secretary or under a food commissioner or under any bureau, no matter what the name, you will find the same conditions. I will tell you that much of our trouble here has been caused by that sort of thing. A man feels that he is helpless. He has no place that he can go. He has no opportunity to go into court in any of the controversies that arise under such a system. That is the reason I am comparing it. I think you will find the same result the whole country over.

Let me tell you the first year they had a permit system in effect in the Pikes Peak Forest Reserve they came around to the people with a letter of clearance, of commendation, and so forth—do you believe that there was anybody who would not sign that? It did not make any difference—everybody signed it. I want to tell you that the managers or representatives of Swift & Co., Armour & Co., and the independent packers in Denver would sign a recommendation if they should perform the same sort of a trick that they did up there. I do not believe in it. I want to tell you that there should not be a single thing in this world that any citizen of the State, though he be a minority of one, or one accused of murder and everything else, but who should have his chance in the court to prove himself innocent.

At one time I told one of the supervisors of the Forestry Service that I could show him 1,000 acres on one township that should be included. It was not in my immediate territory and I have no personal interest.

Mr. McLaughlin of Michigan. What did he say?

Mr. Ammons. He came up to meet me, but said that he was anxious to get back to Denver to meet some friends, and so we got some horses and went to the top of a hill. He looked over the land, and then he went back to Denver and told some of the members of the real estate exchange there that I had not been able to show him anything. Yet the very next spring they turned out nearly one thousand acres of land.

Mr. McLaughlin of Michigan. Did what?

Mr. Ammons. Turned it out of the reservation. I can give you the names of people, if you want them, who can substantiate what I have said. This grazing feed matter has been just where it stands now.

I want to say to you, gentlemen, that I am a poor man, but if you will come out this year I will take you over this reservation, and if I can not convince you that I am right I will pay every damned dollar of the expense. Come out there and look it over; come out and see it for yourselves.

I think that I have a right to complain to you. Colorado contributed the greatest number of men, according to its population, to the Union Army during the Civil War, it contributed the greatest number of men according to its population in the Spanish War, and it did the same thing this time. It produced, in response to the demands from Washington—it increased its agricultural production 60 per cent in a single year. That is what we did. Everybody went out and worked. We want to do these things right, and so we did our best.

We had an impression in the West that the matter of the high cost of living as it affected everybody, from the field to the table, was to be investigated; that was our understanding. You have not justified that. We have not complained about it. We have not had a single law about anything but just the packers.

I want to say something to you about the packers.

Mr. Anderson. Right there, if we have not had any investigation of any one except the packers, we have spent $100,000 for which the department did not give us any value?

Mr. Ammons. We have not heard anything about it, and we have been trying to get all the information we could.

Mr. McLaughlin of Michigan. I want to ask you about the forester who went out there and examined some land and said that it should be taken out, and then you said that he had made a false statement or had reached a wrong conclusion at least?

Mr. Ammons. Yes, sir.

Mr. McLaughlin of Michigan. Did you let the matter rest there?

Mr. Ammons. There was no way of doing anything that I know of.

Mr. McLaughlin of Michigan. It seems to me that if I were as well able to handle myself as you are that I would have made some complaint to the Secretary.

Mr. Ammons. I have done everything that I know of, but I never get anywhere.

Mr. McLaughlin of Michigan. To whom did you go?

Mr. Ammons. To everybody, from the Secretary down. I have been before congressional committes time and time again, three or four times every year. I came here as a member of the western governors' committee. We never got anywhere in any of the efforts that we have made, and we have come to the conclusion that until we can get some laws by which we can protect our people in the courts there is not any use to make further efforts.

Mr. Anderson. Do you think that you are expressing the view of most of the people out there about the administration of the Agricultural Department as to the forest reservations?

Mr. Ammons. I do. There is some difference of opinion, however.

Mr. Anderson. I will ask you if Mr. Dillingham, representing the Idaho Cattle and Horse Growers' Association——

Mr. Ammons (interposing). I know what Mr. Dillingham's position is very well. They have got a little different situation there from what we have, and they do not want the two jurisdictions adjoining each other. I think, though, that the governors' plan which is now adopted should prevail out West. That is my judgment. They have already got together on a platform for ceding those lands over to the States in which they lie. Lots of the people think that is not a very good thing. You have had a lot of propaganda showing you how valuable those assets are and that they belong to all the people of the country. Now, I disagree with that. There is no justification for any such assumption.

Mr. Anderson. You said you knew what Mr. Dillingham's position was. Will you state it?

Mr. Ammons. Well, I think I do. Of course he will correct me if I am wrong. It is that they do not want the two jurisdictions, one outside and one inside the forest reserves.

Mr. Anderson. They think the administration of the grazing end of the Forest Service is sufficiently good, and so they would like to have the public lands under it as well?

Mr. Ammons. Yes; I think so, but not sufficiently good. They have not any choice about the matter out there. They had to go and buy that land probably, or something of that sort, or get it settled so it would be under the State control.

You should understand, Mr. Chairman, we do not come down here and ask for what we want. Most of the people do not dare do that because they have men out there to tell tham not to do that. Do you know that?

Mr. ANDERSON. I do not want to question your statement——

Mr. AMMONS (interposing). Well, you go out to any of those lands——

Mr. ANDERSON (continuing). But I should hesitate to believe that anybody would be afraid to come down here and express his views before any congressional committee.

Mr. AMMONS. No; but they are told not to ask for what they want, but to ask for certain things which they can hope to get.

Mr. ANDERSON. Told by whom?

Mr. AMMONS. Well, by some of your pretty high officials down here, not only the present ones but the ones before.

Mr. ANDERSON. Let us get down to brass tacks now.

Mr. AMMONS. All right, sir. Go and ask Mr. Tallman if he did not tell us out at Denver, and then go back and find his predecessor in the other party—I will not be partial at all—who told us it was no use to ask for the ceding of that territory out there because we could not get that.

Mr. ANDERSON. You did not take his advice, evidently?

Mr. AMMONS. I did not do it, but I am probably the only one. I know what the people want; I know pretty well what they want.

Mr. ANDERSON. Well, I will say he gave you pretty good advice.

Mr. MCLAUGHLIN of Michigan. I am sure this committee, if it had jurisdiction, would be pleased to hear you and others who represent that feeling if they come here and ask to have the entire policy changed and the lands turned over to the States. We will certainly be pleased to have you come and tell us of the conditions that exist. You need not hesitate at any time to come.

Mr. AMMONS. Well, I have been down here a number of times.

Mr. MCLAUGHLIN of Michigan. You have never been here before this committee?

Mr. AMMONS. I have been before the House committee two days at a time on this very thing.

Mr. MCLAUGHLIN of Michigan. This committee?

Mr. AMMONS. Not this present membership. When I was governor of Colorado I was here two days, and the reports that were printed were probably that thick [indicating]. I have been before the Public Lands Committee a number of times, too—maybe that was the Public Lands Committee; I do not know. It was the committee that had jurisdiction over the proposition, whichever it was.

Mr. ANDERSON. The Public Lands Committee.

Mr. AMMONS. It might have been that; I do not know.

Now, I tell you, gentlemen, we will get along a heap better, and have better people out there, and produce more, and have better citizens if you will meet us half way and listen to us, as well as to those who are filing these reports.

On this very matter here, my main objection to it is that we will have the same sort of system there. And how are you going to act? You do not believe me when I come here. You do not believe the governor when he comes. You do not believe anybody in opposition to what they put in here as official statements. Why, I heard the assistant forester stand on the platform in the Broadway Theater, in Denver, less than two years ago and make the positive statement that the carrying capacity of the ranges had increased 47 per cent during that administration. Now, let me call your attention to something. They did not know a single thing about what the carrying capacity of those ranges was before that, and how could they make a comparison? I can bring you every man but one, who has since died, to show you that the carrying capacity was greater in that first reservation than it has ever been since.

Mr. ANDERSON. You mean that there were more cattle there?

Mr. AMMONS. That is what I mean. There is not much timber. You know, out in Colorado—I do not know how it is in the other States—but where they have commercial forests there is practically no grass whatever. The timber there will not start to grow where there is grass. If you do not believe that statement come out and I will convince you in one day or pay your expenses from here to Denver and back. In one single day I will convince you of that fact.

Now, where the timber grows in commercial quantities there is no feed. There is one-third of the area of those reservations there that is timberland. I have not surveyed it, exactly, but it is about that. And above the timber line nothing can grow, and yet they are holding that, and the expense of keeping cattle up there and herding them will equal the expense of hiring pasture somewhere where it is more convenient.

Now, I may have made some mistakes here, but I am not talking from hearsay. I have been in the cattle business all my life. I have had the experience. I have worked on the range myself; I have worked in the corral myself; I have handled these cattle, and I know the business. I do not want anything but what is fair. I have used every influence I have in schools and wherever I have worked, trying to get up a spirit of patriotism and love of this country, and I do not want you to pass a law here that will give to any man discretionary power over any man's business. That is all. That is the opposition I have to this bill.

When it comes to the question of whether the packers should own stock in stockyards or not, that is a matter of controversy. The American National Live Stock Association—I am a member of it—is not unanimous on that by any means. That association has gone on record against the ownership of the stockyards. I do not believe in that, but if a majority says that it should be so, then that is all that is necessary, and we should have a law.

You will ask, how are you going to enforce that law? I will tell you. Like you have enforced every criminal law in America since the foundation of this Government. You have a Department of Justice. You have an Attorney General with his assistants. You can have all the secret service you want. You have a United States District Attorney in every State and several in some States. You have them everywhere. You have United States Commissioners before whom any citizen of this country can go and make complaint. You or anybody else can start a proceeding. You have the grand jury. There is no higher class of men in the world than those that serve on the grand juries in Colorado. I believe they have 18 of them. I was before them once, and I knew the most of them, and they were very high-class men. Then go into the courts and you have the petty juries.

It is the duty of every citizen to complain if anybody is violating the law, and you have means for inquiring and finding out where this ownership lies. You have all of this machinery; all you need to do is to pass the laws and extend them if it is necessary, and when you extend them they will be taken care of.

And I want to say this, gentlemen. There is a feeling of unrest over the country. Why make it any worse? Why do you want to make the poor devil who is going out there and taking up a piece of land dependent on the judgment of somebody who does not know as well as he does whether that land is fit to be taken up or not?

I was a homesteader myself. I lived in a cabin with a dirt floor. The land that I walked over some fellow came along and made a fortune out of. The man who classifies the land is the man who is willing to spend time and labor developing it. That is what will make the West; not somebody who will have one opinion for all kinds of land in that country.

And the same principle will apply here. You have all this great machinery. I am unwilling to believe that this Department of Justice is unable to handle this situation. They have handled it. Right or wrong, we know what the law is now, and it can be made to apply to every man who enters into that business in America. I know it. Everybody else knows it. Everybody who wants to go into that business is under the same law. They have agreed to do that. Right or wrong, it ought to be tried out, and if we find it is bad then we can change the law, and that law will, I believe, be enforced by any man, Republican or Democrat or whatever he may be, who may be chosen at the head of a department. If anybody is charged with an offense he will be tried and given an opportunity to show his innocence, and his business will not depend upon the arbitrary judgment of some individual in some bureau. That is my position.

I do not care what law you find necessary—for the stockyards, for the packers, for the cowboys, for the retailers, for anything else, Just make a law for it.

Let me tell you, whenever you go up against the sort of institutions we have out there you will have bitterness in your heart that nothing can overcome when you feel that you can not protect yourself in the courts of your country. You think this is personal; it is not. It applies not only to one, but to everybody.

As to this matter of propaganda, I have not attempted to read even a small portion of it, although I have been trying to follow the material part of it as I could get help to go over it and read it. But I do not believe that this Nation itself should go out and publish material against people engaged in business here that will create a popular prejudice against them and bring about such legislation as is proposed here until they shall have been tried. There never was so much propaganda; I have never seen so much in my life, as there is over this question. Perhaps both sides have been guilty, but certainly the first of it came from the Government itself. There is a great public printing establishment over here; I understand it is greater than any other establishment of its kind in the world. It is my money and your money that runs it, and they have no business to use it to condemn anybody as guilty of any crime until they have brought them into court and proven them guilty. You can not have rest, you can not have normal conditions, as long as that sort of thing exists.

Now, Mr. Chairman, I wanted to call attention to this. You can not get normal conditions in this way. You can not get normal conditions if you make the farmer the shock absorber for all this return to normal conditions. I know this—I see it out West, I have seen it here, and I have been South and have seen it everywhere—that the people believe if you can only get food down to the right prices they can get back to the old basis.

There is one thing certain; the agricultural population of this country has got down now to less than one-third, if I am right in my figures, and it is not many years ago that it was one-half. There are fewer people to produce, and you have got to encourage them to get that production. You can not get it by discouragement. You can not do it by producing unrest. If I go into the cattle business to-day it will be two or three or four years before I will get anything back. I believe just as much as anybody in this matter of stabilizing prices. The best thing that could come to the industry would be that. There is nothing in this bill that will do it; it only curtails production still further, and I do not believe you want to be a party to that.

These people are frightened. We had people that were afraid to feed this year, and those who have fed bore out the judgment of the others. In Northern Colorado every feeder, so far as I know—and I have made a good deal of inquiry—is losing money this year. Is that going to encourage him to feed next year? He is borrowing money now, and he will have perhaps the balance of a debt to pay. You do not want that. Nobody wants it. We must have greater production, and there must be encouragement.

Do not think I am condemning everything you do down here, I am not doing that. I am on the board of agriculture in my State, and have been for the last 10 or 12 years. We have been doing cooperative work out there in a great many lines. We have done cooperative work in vocational education. We are working along lines there to encourage production. Half of my time I have given to that work without a cent of recompense. I am not bragging about that; I simply state it as a fact.

I am interested in this. You do not have the experience that we have, and you from Kansas, and without intention you from Nebraska, our adjoining neighbors, have treated us grievously wrong in this great fad of conservation. If you will come out there and look it over you will find it out.

Now, give us this legislation—whatever you find from the testimony is required. But give it to us as legislation; do not establish any more bureaus. You know that eventually that will necessitate going to every place in the country where they slaughter cattle and will involve the expenditure of a great deal of money. Our tax burden now is very heavy. The best way to get back to normal conditions is to return to the normal basis of control by law.

Let me say this, in conclusion, and then I shall be glad to have you ask me any questions you please.

We have in this country, as I said, this one ideal, government by fixed rule of law. We have one rule, which is the law, a law that can be changed by the people, subject to the Constitution. The Constitution itself can be changed, but it can not be changed in a moment.

The minority is protected in the courts, even to a single person. That is what we mean by liberty. Just as long as we adhere to that basis of law every man feels that he has had at least a chance, and he will go right along living under this government of law that will last forever if we maintain it. But if we go back to something else that has been discarded time and time again in the history of the world we may expect the same fate that befell every one of those countries where they did it. No matter whether you give somebody discretionary power by act of Congress or not, it is discretionary power just the same. You can not say that that is a matter of law, if you give somebody discretion over me out there in those reservations and he abuses that power. One of the Congressmen here called the attention of Dr. Gotthelf, I believe it was, to the fact that wherever this discretionary power has been given it has been abused. And it has. You have had good rulers in the past as monarchs, but it is because people have learned from the experience of all history that that sort of government is not to be depended upon that we have this expensive form of government that we have here to-day.

I want to call attention to one other thing, and that is that this form of government is not so constituted that it can go into business. It has to permit individuals to do business. Just as soon as the Government goes into business anywhere, as in the forest reservations and on the public lands, and is a landlord at the same time, what opportunity has its rivals in private business? You have got to do one thing or the other. You must take all these things over and control them—you can not stop half way—or you must turn them over to the people to be administered under laws under which all property and all persons shall be treated alike. You can not do anything else.

Gentlemen, that is a fundamental principle, if we have a fundamental principle in this Government, that no one can deny. If you find here that you want to pass any laws in addition to those that we have already do so, but let them apply certain acts.

I do not say you should wait every time until a crime is committed. I recollect that when our State constitution was adopted we took some of the Illinois laws as well as some of the others, and we adopted statutes against all sorts of crimes and misdemeanors. That was preventive. All knew what those laws were, and if they broke them they were punished. I do not say you should wait until people commit an offense. If there is any particular condition that should be corrected, pass a law against it and then turn it over to the Attorney General and the courts and they will see that it is taken care of.

I want to say that unless this Government sets the pace for economy now, unless it shall curtail expenses just as far as it can, it will be a long time before we shall be able to return to normal conditions in this country. And I do not believe we are going to accomplish anything by keeping up an agitation here which keeps our people disturbed and uncertain when they should know positively what the laws are that are going to control them in the future.

Now, Mr. Chairman, I should be pleased to answer any questions you wish to ask me.

The CHAIRMAN. How does it come that the State legislatures resolved in favor of adding to the forests? For instance, in Idaho 1,500,000 acres have been added this year.

Mr. AMMONS. They have been told up there, I suppose—I do not know, but I know how it is in Colorado—that there is not any use to ask except for certain things. This turning over of these ranges has been urged out there by the officers of the Forest Service and the officers under the Interior Department who have been rather insistent in a number of meetings that I have had the pleasure of attending. In Colorado we do not want any more added; we want to get them ended.

I am speaking for the majority of the people. Our legislature went on record—you will find the resolution in the archives here somewhere. I think there were only two votes in the whole legislature against that principle. And the governors have recently organized in the West—they are going to try to extend that organization—to get one great policy to work for. They have sent out resolutions for signing. I happen to know about that; I am a member of Gov. Shoup's committee in that work. Our people have always been right on that; every Member we have had in Congress has been right, but they do not seem to listen to them.

The CHAIRMAN. Are we to understand, then, that the State legislatures do not represent the people?

Mr. AMMONS. I say, I do not know about Idaho; I am talking about Colorado. Do not ask me about the other States. I was at a few meetings, and I can tell you what they did there. They are taking the choice of evils; they are not taking what they want. They are being advised differently in different locations. It is the principle that we are opposing here.

You may be interested to know this: I am a member of the board of directors of the Denver Civic and Commercial Association, with about 4,000 members. They have estimated that we are short at least a quarter of a million people, because of the effect of this conservation fad. Do you know there has not been a single mineral discovery of any importance made in Colorado since they threw the wet blanket of conservation over all the mineral area of Colorado? It is a fact. As much as I have been over the State, I have not seen a prospector in four or five years. You have reports that they exist yet, but so far as my personal observations go, they do not.

We have water power going to waste that we need in the mining operations in our State. It costs a great deal of money to haul coal up those mountains. There is water power going to waste right there, and you are trying to put even that on a leasehold basis.

The CHAIRMAN. Do you consider the 72 cents average charge for grazing last year a fair compensation?

Mr. AMMONS. I do not. I do not think the Government ought to charge anything.

The CHAIRMAN. What about that as a fee to be charged for the public lands? Would you consider that reasonable?

Mr. AMMONS. There are no fees charged for the public lands.

The CHAIRMAN. Do you consider that fair?

Mr. AMMONS. Certainly I do. I think these men that are tramping over the States out there should be pointing those lands out to settlers and not holding them up.

Let me call attention, Mr. Chairman, to something else. I know one boy that went into the Army, who had filed on a piece of land. He was sent to Camp Funston for training, and then went to France.

He was away for 13 months, and when he returned his land had not been designated, although the land adjoining his was designated; and they had to walk over this boy's land in order to do it. I can show you pieces of land out there now that were withdrawn in 1910 for power site purposes and were not wanted for that, and that land has not yet been restored to settlement, although the people want it.

The CHAIRMAN. Whose fault was it that it was not designated?

Mr. AMMONS. I could show you a barrel of correspondence on that point. We were told very politely that we had better work to get through the legislation we had pending down here.

The CHAIRMAN. In other words, you were held up?

Mr. AMMONS. Why, yes; you can not get it out. There is no law under which you can get it out.

The CHAIRMAN. Held up by whom?

Mr. AMMONS. The department controlling power sites.

The CHAIRMAN. What department is that?

Mr. AMMONS. I have forgotten now; I think it is the Geological Survey; I am not quite sure.

I can give you all the instances you want; I have a thousand or so of them out in Colorado. Whenever a homesteader goes along with his wagon and sees that this land is reserved for this or that he does not stop any more; he keeps going. There is a lot of that land that it would take a great deal of to support anybody, but there is a lot of good land there and we need it. In the county in which I recently lived there is over three-fourths of it reserved from entry, and it is very valuable land. The county is trying to keep up the mountain roads and a county government. You recall yourself, when they allowed us to have a portion of the taxes collected for grazing purposes they put it to certain purposes. Those were good purposes, but do you know what the people outside of the reservations had to do? They had to tax themselves to furnish the courts, to furnish the police officers, to furnish the sheriff and his officers, and everything to protect the life of the man who was sent there by the Government, and not one single penny was contributed to either State institutions or local institutions—not 1 cent. That has been true from the beginning, and nobody can contend that it is fair.

We have built in Colorado about 16 or 17 million dollars worth of State institutions. I believe that no State is ahead of us in educational institutions.

We have to support an insane asylum and a penitentiary and all those things, and yet nothing is contributed from all this vast area. I have looked over the assessment roll within the last year, and I find that while we have 66,000,000 acres of land in Colorado and we have only about 5,000,000 acres on the tax roll. I do not think you can say that is fair. If you are going to have States the States must be supported, and you have got to have property to support them. If you have not all farm land you have to take mineral land in place of it. You can not put the one class of property on a different basis from the other; all should pay their share according to value. That is the requirement of our constitution.

The CHAIRMAN. You referred to certain machinery available for the enforcement of the law. I believe you referred to the Department of Justice.

Mr. AMMONS. Yes, sir.

The CHAIRMAN. Can you point to any relief that has been had from that department in connection with the packers?

Mr. AMMONS. Well, it seems to me, that if these people that are demanding legislation are correct, all the relief they have asked for they have got, except the establishment of a bureau.

The CHAIRMAN. They have decrees.

Mr. AMMONS. Is not a decree better than a mere act which has not been adjudicated or passed upon? That decree will apply now to everybody in the country. It really goes too far, I think, but I do not object at all as a matter of public policy to prohibiting the packers from going into unrelated lines.

The CHAIRMAN. It applies to certain concerns only.

Mr. AMMONS. But you can apply that same principle in the courts to anybody under like circumstances.

The CHAIRMAN. Only by decree.

Mr. AMMONS. You have got it adjudicated; that is the best law in the world.

The CHAIRMAN. We have had decrees for some years.

Mr. AMMONS. On this matter?

The CHAIRMAN. Yes.

Mr. AMMONS. Why have they not been enforced? Anybody can enforce them.

The CHAIRMAN. That is what I am trying to find out.

Mr. AMMONS. Mr. Chairman, if our courts and our Department of Justice are not doing their duty I think it is high time we replaced them and established something else. I tell you, it is hard for me to believe that one man, one commissioner, can be safely trusted to manage such an immense business, affecting more than half the food products of this country, if this entire Department of Justice is not to be depended upon.

The CHAIRMAN. Are you aware of the fact that the Attorney General stated before the Senate Committee that he believed the packers were guilty?

Mr. AMMONS. Well, you got a decree against them.

The CHAIRMAN. But the decree does not get us anywhere.

Mr. AMMONS. Why not?

The CHAIRMAN. It never did, did it?

Mr. AMMONS. Well, they got a decree against a company in which I am interested out here in Kansas in an insurance case, and I notice we had to pay. I believe a decree is the best thing in the world that you can get. It is not open to any further discussion. It is a good deal better than any act you can pass here on the same question. You change this language here, and you will open legislation up to litigation immediately.

The CHAIRMAN. You believe the results obtained in the decree entered into before are satisfactory?

Mr. AMMONS. I do not know that they were.

The CHAIRMAN. You were speaking about decrees being very satisfactory. I wanted to get your opinion about it.

Mr. AMMONS. Well, sir, if a decree of the court is not satisfactory, I do not believe that our Government is even functioning. And I believe that whenever any official fails in his duty in a case of that kind there is a way to proceed, and that way should be taken immediately, nationally or by the State.

The **Chairman**. Are you familiar with the decree that was entered into recently?

Mr. **Ammons**. I read it. I got a copy of it yesterday and read it.

The **Chairman**. You are speaking about machinery?

Mr. **Ammons**. Have they not got United States marshals?

The **Chairman**. Will the United States marshal enforce it?

Mr. **Ammons**. Do you mean to tell me that you can not get that decree enforced under United States marshals? I do not believe that.

The **Chairman**. I was asking you if any machinery had been provided.

Mr. **Ammons**. You do not need to provide any; the machinery is already provided. It is like any other decree; it makes no difference what it is. My experience has been that every one of them has been enforced. If this is not, it is the first one that I ever heard of that was not.

The **Chairman**. It is within the power of the courts, of course, to enforce it.

Mr. **Ammons**. Then give them funds. It would be better to do that then to go into this new scheme.

The **Chairman**. That is the first suggestion we have had along that line.

Mr. **Ammons**. It may be, but if our sheriffs out there did not have funds to take a man to the penitentiary after he was convicted, they would find funds for them.

The **Chairman**. And you favor regulation by decree, then, rather than by law?

Mr. **Ammons**. No; by law. A decree is based on law, otherwise it is not a decree and it can not stand anywhere.

Mr. **Anderson**. These fellows tell us this decree goes far beyond the law.

Mr. **Ammons**. I am not a lawyer, so I can not pass on that. But it has been accepted.

Mr. **Anderson**. I think they are right about that.

Mr. **Ammons**. For instance, you have a little provision here that a bureau official, if he finds that something will have the tendency to lead to monopoly, can take some very drastic action. Now, he might find that somebody he disliked was doing something that would tend toward that result. You certainly do not want to convict anybody on any such basis as that, and I do not think you would want to give anybody such power.

A decree is the result of a trial, the result of an action where the court finds out what shall be done, what shall be the condition thereafter. Whenever people violate the decree the Department of Justice has all the machinery in the world to bring them up for contempt, and the court has already announced in that decree that it will keep the packers under its jurisdiction for the future for that very purpose, so that anybody who is a party to that action, the Federal Trade Commission or anybody else, can go in there and see that they are brought to time—if I read it right.

The **Chairman**. The decree is binding only so far as it affects those that enter into it.

Mr. **Ammons**. But that same principle can be applied to anybody else that violates that order. It just needs one little act.

The **Chairman**. What have you to say about the decree of May 26, 1903?

Mr. **Ammons**. That I do not know about; I have not read that.

The **Chairman**. They reorganized, did they not, and got away from the decree?

Mr. **Ammons**. Well, it seems to me if they could reorganize and get away from the laws as they stand to-day, they would be pretty smart.

The **Chairman**. When they reorganize the former concern goes out of business.

Mr. **Veeder**. Mr. Chairman, may I make a statement there to clear up the doubt in your mind as to that? There was no reorganization of any of these companies.

The **Chairman**. They dissolved.

Mr. **Veeder**. No, Mr. Chairman; there was no reorganization or dissolution of any of those companies covered by the decree of 1903, and the decree was lived up to, and is lived up to, and the decree is in existence. And if there is a violation of that decree by any of the defendants, the United States courts have all power to hale the defendants before the court and punish them for contempt of that decree to-day.

The **Chairman**. But the defendants have gone out of existence.

Mr. **Veeder**. What has gone out of existence?

The **Chairman**. The companies—that is, the National Packing Co.

Mr. **Veeder**. The National Packing Co. was not a party defendant in that suit. All of the companies that were parties defendant in that suit are still in existence to-day and are subject to prosecution,

The **Chairman**. They are operating under another name.

Mr. **Veeder**. No, sir; they are operating under the same name and under the same incorporation—except possibly one. That was the Sulzberger Co., a party to that suit.

Mr. **Anderson**. The National Packing Co., too?

Mr. **Veeder**. No; I am not talking about the National Packing Co.; I am talking about the injunction of 1903. Every corporation that was a party to that suit is to-day operating under the same name and organization.

The **Chairman**. Then, may I ask you what is the need of another decree if that is binding at the present time?

Mr. **Veeder**. This other decree that was entered into the other day goes further and is along different lines from that decree of 1903. While the decree that was entered into the other day covers to some extent the same ground, in that it prohibits the defendants from violating the Sherman and other antitrust acts, it goes further and prohibits them from engaging in certain lines of business which were not covered in the decree of 1903.

The **Chairman**. It covers much of the same ground?

Mr. **Veeder**. Much of the same ground; not in exactly the same language. It covers much of the same ground, but goes further.

The **Chairman**. Then what is to be gained by a new decree, in so far as it covers the same ground?

Mr. **Veeder**. I say it goes much further. There is this to be gained by the new decree, that it covers ground that was not covered in the decree of 1903.

The **Chairman**. That is, it divorces them from certain activities?

Mr. **Veeder**. Yes.

Mr. Ammons. There is one other thing, Mr. Chairman. If you turn this work over to a commissioner, who is going to watch the commissioner? How are you going to see that he does his duty?

Mr. Anderson. The same fellow that watches the courts.

Mr. Ammons. Then you have both to watch. Why have another one? A man may be too friendly to these companies that he regulates, or he may be too antagonistic. Who is to control him in that? You may not think there is much danger in that, but I want to tell you there is. He may go wrong in more than one way.

The Chairman. There is, of course, a difference of opinion as to the control suggested; but after all, do you not think some legislation is necessary in order to bring about the results desired?

Mr. Ammons. Now, Mr. Chairman, I would like to ask this: Our people are very much concerned about it. I would like to know what is the one thing now that we need a law for. You have heard this whole discussion and I have not.

The Chairman. Have you read the report of the Federal Trade Commission?

Mr. Ammons. I have read only a portion of it.

The Chairman. Do you not think there is a need for some law or regulation so as to in some way bring about justice? That is, if the allegations in the commission's report are true?

Mr. Ammons. What is one of the acts of wrongdoing?

The Chairman. Monopoly; combination in restraint of trade; conspiracy—there are many things alleged. There are several volumes of the report.

Mr. Ammons. Those are inserted in the court proceedings. What new thing is there?

The Chairman. What relief have we had under the law?

Mr. Ammons. Well, we have just gotten a decree through the Attorney General. It seems to me that is the best thing under which to act.

The Chairman. That is the first decree since 1903.

Mr. Ammons. I do not know anything about the decree of 1903, but I know about this one that has just been entered.

The Chairman. Is it not the same as the other except that it is of wider scope?

Mr. Ammons. Well, I have not seen any monopoly. Of course, there may be one that I do not know anything about. If there is, it certainly ought to be prohibited, and there is a law to prohibit it

The Chairman. If you have read the report of the commission you are familiar with the charges made in it.

Mr. Ammons. I have read only a portion of it; I have not had opportunity to read it all. There is a great deal of it. I have read the press reports and comments on it, and I have read a portion of the report.

The Chairman. The report would indicate that there are a number of things done contrary to law; that is, if the report is to be accepted.

Mr. Ammons. Well, that is a one-sided report; I think you must admit that. They ought not to have published that until they had commenced prosecutions. You know, we got reports out there in the newspapers—I do not know whether they were straight or not—from Federal officials that these people were guilty, and that they were going to convict them; and they did not even indict them.

Mr. Anderson. Who did not indict them?

Mr. AMMONS. The Federal officials out there in Chicago.

Mr. ANDERSON. Indict them for what?

Mr. AMMONS. Why, they said they were guilty of certain crimes.

Mr. ANDERSON. Who said they were guilty?

Mr. AMMONS. I do not know them personally—the Federal officials taking care of these prosecutions. They had it before the grand jury, I am told; maybe I am wrong.

Mr. ANDERSON. A grand jury where?

Mr. AMMONS. Out in Chicago.

Mr. ANDERSON. When?

Mr. AMMONS. Just last winter.

Mr. ANDERSON. Whom did they have before the grand jury?

Mr. AMMONS. Some of these packers I understand. They did not have the packers before the grand jury, of course, but they had the question up. They had it under investigation, but there were no indictments found I notice.

Mr. ANDERSON. We were given to understand that—no suits pending when this decree was entered?

Mr. LIGHTFOOT. No; there were no suits pending.

Mr. ANDERSON. We were given to understand that this was a purely voluntary and gratuitous action; that they entered into this decree as a purely voluntary matter, out of the goodness of their hearts.

Mr. AMMONS. Yes, sir; that is what I understood—not out of the goodness of their hearts, but it was to prevent anything of the sort in the future, and no crime is admitted.

Mr. ANDERSON. I understood you to say that you understood something was adjudicated by this decree?

Mr. AMMONS. I should say a decree is the result of an adjudication.

Mr. ANDERSON. What would you say was adjudicated by this decree?

Mr. AMMONS. There was a decree by the court that settled two or three things. One was—I recollect particularly—a decree that, at least to some extent, the packers as a matter of public policy should not engage in business in unrelated lines.

Mr. ANDERSON. Was there any law which prohibited them from engaging in business in unrelated lines?

Mr. AMMONS. I do not know how the court found this decree. Understand, I am not a lawyer.

Mr. ANDERSON. But you are undertaking to tell us that something was adjudicated by this decree?

Mr. AMMONS. All right. It set out that the defendants should not hereafter engage in any business in unrelated lines.

Mr. ANDERSON. That did not adjudicate anything, did it? There was no law on that subject.

Mr. AMMONS. I do not know whether there was or not.

Mr. ANDERSON. I am telling you there was not.

Mr. AMMONS. Well, that is a matter of opinion; I have heard others say there was. That is probably something new.

Mr. MCLAUGHLIN of Michigan. Is it your idea that if the packers are charged with violating the decree and are cited for contempt, the court has no jurisdiction to enforce the decree?

Mr. ANDERSON. No; I am not contending that; I am trying to find out what the governor thinks was adjudicated by that decree. There was not any adjudication of guilt or innocence on the part of the defendants. There was not any adjudication that they had been guilty of any violation of law. There was not any adjudication that they had been guilty of violation of public policy. There was not any adjudication of anything. The court simply said: These gentlemen come in here and agree that the court shall enter a certain decree, which the court will enter.

Mr. McLaughlin of Michigan. Were there no pleadings?

Mr. Anderson. There were no pleadings.

Mr. Veeder. Oh, yes; there were.

Mr. Anderson. There were pleadings, yes; but there were no findings of the court upon those pleadings. Charges and defenses apparently did not cut any figure, except that you were prohibited, I understand, from doing the things alleged in the complaint. My friend over here says there was an adjudication of something.

Mr. Veeder. An adjudication, to the extent that the packers were enjoined from doing certain things under that decree.

Mr. Anderson. Well, there was a decree to that effect——

Mr. Veeder (interposing). There was no finding of fact.

Mr. Anderson. But there was no adjudication of anything.

Mr. Veeder. In my opinion, a decree does not have to recite a finding of facts in order to make it effective.

Mr. Anderson. I do not say it does.

Mr. Purnell. Mr. Veeder, were not certain facts agreed to?

Mr. Veeder. There was a stipulation filed, and the stipulation provided that this decree should be entered.

Mr. Purnell. There were certain allegations in the complaint, were there not?

Mr. Veeder. The petition made certain allegations and certain charges. Following that answers were filed by each of the defendants denying the charges. Following that, the parties entered into a stipulation, under which it was agreed, for the purpose of settling this dispute, that certain decrees should be entered. That is a not at all uncommon practice, and I do not understand that the decree is any the less effective for that reason.

Mr. Purnell. Was there not an adjudication of certain allegations or of facts set forth in the petition?

Mr. Anderson. No.

Mr. Veeder. There was no adjudication that the parties had violated any law. But under the Sherman Act and under the general law a decree for an injunction may be entered to prevent violations of law, even though there have been no violations of law. A decree can look to the future as well as enjoin one from continuing to do that which has been done in the past.

Mr. Ammons. If people are not going to be satisfied until they punish some of these fellows, of course there was nothing in that decree to punish them. My understanding was that what it was intended to do was to prevent certain things being done.

Mr. McLaughlin of Michigan. I am a good deal like the Governor. I am not a lawyer. I am an attorney——

Mr. Ammons (interposing). I am not even an attorney. (Laughter.)

Mr. McLaughlin of Michigan. But I have serious doubts as to whether or not this decree can be enforced in all its provisions. It does not look to me like much more than a sort of agreement between the packers and the Attorney General that the packers refrain from doing certain things which the law does not forbid them to do. They might change their mind and wish to do any of those things and there being no law to forbid them, I doubt if the court could punish them for doing so.

Mr. **Borders**. Here is the situation in a nutshell. The Government files suits making certain charges. The defendants answer, setting up their defense, and then the parties to that litigation stipulate that that litigation may be determined in a certain way and by the entering of a certain decree. The policy of the law is to favor the adjustment and settlement of all controversies. There is the viewpoint of this decree, and that is why it is enforcible.

Mr. **McLaughlin** of Michigan. In the bill of complaint, as we would call it, was there a complaint against the packers that they were doing or threatening to do these things which in the decree they promise not to do, and were those different things charged as unlawful?

Mr. **Borders**. The petition or the bill of complaint, whichever you want to call it, will be filed here with the committee. Answering your question, the petition charged that these defendants had monopolized or attempted to monopolize the American field in a certain way and by going into these unrelated businesses, and that in furtherance of that plan they control the stockyards. Answering your question directly, the petition does charge these things that the decree afterwards enjoined the defendants from doing.

Mr. **Wilson**. Is it not possible that they may never have any desire to enforce the decree in any way? It may be that you folks will live up to the spirit and the law of that decree?

Mr. **Borders**. There is not any question about our living up to the spirit of this decree. We thought that as a result of this propaganda that had been launched there were two things that were charged against the packer, principally. They charged originally that he should get rid of these refrigerator cars. Practically everybody abandoned that. Then it was said that he should get rid of his branch houses, and practically everybody abandoned that. But it was the ownership of the stockyards, on the one hand, as affecting the producer, and the engaging in what they call unrelated lines of business—principally wholesale groceries—on the other hand as affecting the consumer. In order to meet this public opinion and the views of the Government, these defendants were perfectly willing to come in and permit a valid and enforcible decree to be entered against them perpetually enjoining and restraining them from any interest in the stockyards or from engaging in these unrelated lines.

Mr. **Anderson**. Do you think, Mr. Borders, that the organization of the Armour Leather Co., if done after the filing of this decree, would be in accordance with its terms?

Mr. **Borders**. Let me say this as to the Amour Leather Co., that I do not know one blessed thing about it. I know less about it than you do.

Mr. **Anderson**. I did not know whether you knew anything about it or not.

Mr. **Borders**. I do not know anything about it. But I want to answer a question that was interjected here a while ago as to the means to enforce this decree. The decree provides that within 90 days these defendants must file with the court a plan for getting rid of these various things, these properties, and that plan will have to be submitted to and approved by the court.

Now, with regard to the Armour Leather Co., if it was done here recently—and I know nothing about it—the decree provides that the court has the power to go back and look into transactions for a certain period, I think back to October 1. So there can be no question about that. I would say that as to whatever is embraced in what you call the Armour Leather Co., if it is embraced within this decree it will have to be provided for in the plan to be approved by the court.

Mr. ANDERSON. As I understand it, this decree prohibits the individual defendants from owing more than 49 per cent of the stock in these unrelated corporations. Am I correct in that?

Mr. BORDERS. The decree provides that the defendant corporations—and there are a great many, say 70 or 80—can not engage at all in any of these forbidden activities, and further, that their distributing system can not be used. That provides for any possible reorganization, so that one company can not reorganize and use that distributing system. If you will examine the decree you will find that that distributing system can not be used by anybody else. Then there is a provision—answering your question directly—that the individual defendants can not own an interest that amounts to a controlling interest in any company, firm, or corporation engaging in these activities.

Mr. ANDERSON. Is that in the amount of stock or in voting stock?

Mr. BORDERS. My recollection is that it is in the control.

Mr. ANDERSON. That is a very important thing, it seems to me. Of course, it is a very simple thing to organize a corporation with a majority of voting power in less than a majority of the stock.

Mr. VEEDER. It provides in one paragraph that they can not own a majority of the voting stock, and in another paragraph that they can not own the controlling interest.

Mr. BORDERS. I think it is both ways, that they can not own a majority of the voting stock and that they can not own a controlling interest.

Answering your suggestion, Mr. Chairman, a lot of the questions that are put here are on the assumption that there is or has been guilt on the part of these defendants. These defendants were indicted in 1912. They stood a trial, the trial lasting five and a half months, before a jury, and that case was tried out on its merits. It went off on no technicality at all, and the very questions that have been rehashed here so much, particularly the question of the percentage of the buying, were submitted squarely to the jury, and we were found not guilty, and very promptly. There never has been a question, and there can not be, of anything that was in that case because it was determined strictly on its merits. I might add that that would be the result of any other trial that would come up.

The CHAIRMAN. I have confined myself to the findings of the Federal Trade Commission. Of course, I do not vouch for the commission's report, nor am I responsible for it.

Mr. AMMONS. I would like to clear up one other thing, if I may. It may be wondered, and probably is, why these producers out in the West are very much concerned over this legislation. Now, we are a long way from market. I recollect that when I was a young man entering into the live-stock business there it was very hard to find a market for our stuff. For the first few years I had to kill beef and peddle it about, and all I saved out of it was the hide. Even the Denver market is not so very old, because it really did not become a market until a few years ago. There were portions of the country that were not growing large amounts of meat. You see, our meat industry in Colorado is based on the grass industry. In just a moment I think I can give you some interesting facts about that, but I want to carry out this thought.

When the packers came along and went into business they were able to take away at least a portion of the waste, and not only make the expense of handling the meat and finding a market for it and distributing it, but they were able to cut it even below that. As a matter of fact, that distributing system has grown until we are very close to all of the markets of the country. There were some things that were essential in that. You know, they have got to build storage houses, and cold-storage plants. For instance, in the middle of summer they can not take another animal above their storage capacity. And in the fall of the year when most of us take our cattle off the range, that is the time when we almost always glut the market. Then if they did not have a very large storage capacity they could not buy the meat and the prices would go disastrously low. So in handling this storage question you should be very careful in legislation to see that there is plenty of storage.

Now, the refrigerator cars I do not look at as some men have that I have talked to. I believe the refrigerator cars are just as essential as the delivery wagon in town. They provide the meat in the best shape and deliver it in the best shape, and it goes all over the country in the cheapest way. If they have any wrong practices in that, I am perfectly willing, I am as anxious as anybody, to see that that wrong action shall be discontinued; but we do not want this turned over to somebody that does not know how to run it. If those people do know how to run packing plants there is lots of room in this country to build more.

I do not believe these facilities should be taken away any more than the vaults should be taken away from the banks. I think it is absolutely wrong to take them. I do not believe those refrigerator cars should be taken away from them any more than my delivery wagons, if I were running a meat market in the city, should be taken away from me. I believe everybody should be given the same opportunity under the same conditions to enter that business and be protected in it. The people in the West want to keep that distributing system; we have lost money because we have not had that distributing system. Now we have got it and we are getting to the market cheaply, and if the retailers have found it necessary—as they have in Denver sometimes—to increase prices more than they ought to, you should go after them, too.

I found this out; I know you will be interested in this: I was writing some articles on the matter, and I wanted to get to the bottom of it, as everybody else does. So I went down every morning for a long time to a certain big retail store in Denver. By the way, we use about 800 beeves a week in Denver, and when I inquired last we had 983 dealers. You see, there is more than one dealer for every beef that is used in Denver in a week.

When I went down to those retailers I found this situation. I found just as fine beef as I ever ate in my life at from 12½ to 15 cents, but I could buy beef for a dollar a pound and I could buy lamb chops, choice ones, for 65 cents. When I inquired of the men in all those three big retail stores there they told me, every one of them, the same thing in different language. They said that money was plentiful enough so that people would come down at 4 or 6 o'clock in the afternoon and demand a steak or chop or hamburger—something they could cook quickly—and they had to salt down a lot of the chucks, making it necessary that they should make their profit out of one-third or less of the entire carcass of the beef.

Those are actual conditions, gentlemen. If you go into some of those big noontime luncheon places, you will find women, and children—and I am not criticizing them—paying enough for one lunch to buy meat enough to last the family a week. We can not help that. My son was helping down in the Central Grocery Co., in Denver, just a short time ago, when they got in a carload of dressed beef from Utah. With freight paid it came to 11 and a fraction cents a pound. Now, there is no reason for those other expenses. You can recall the time—my friend from Kansas will surely recall it—when corn got down to 8 or 10 cents a bushel and they actually used it for fuel. I recollect when it was impossible to use up all the grass in the country, and grass costs more right now than almost any crop I know when you consider the expense of handling it. Things have changed very much. The other day I bought a little corn and it was 4½ cents a pound by the hundredweight. You can not afford to produce lamb or beef at any such price.

Let me explain this here: In Colorado we produced $214,000,000 worth of live stock last year and $190,000,000 worth of agricultural products. We produced $8,000,000 worth of poultry and only $9,000,000 worth of gold. So that as a mineral State we do not rank so well as we do as an agricultural State.

Of that $190,000,000 of agricultural products produced by Colorado last year, $52,000,000 worth was hay. You can not use hay at all except for live stock, except that you may grind a little alfalfa meal and send it out. The next in order was wheat, $45,000,000. There is a large by-product of wheat used for live stock, and in addition to that you have to have rotation crops. The next thing you get is corn, and that is all used for live stock. Then comes sugar beets, $19,000,000. A great deal of the beet crop went into manufacturing, because there is about $50,000,000 of the manufactured product. In the sugar-beet manufacture they have the sirup, and they have the pulp which is worth $1.50 a ton now. All those things mean a great deal for the production of live stock.

If you go on down you strike potatoes next, and then sugar cane and sorghum. Now, that does not take into account at all grass, which is the most important of all the agricultural crops of Colorado and which can be marketed only through live stock. I am just calling attention to the importance of live stock to the farm crops there.

I think we have about—I am guessing now—65,000 farms and ranches in Colorado, and I am quite sure that more than 50,000 of them have live stock of some kind, and all the balance ought to have. We have got to have live stock to keep up the fertility of our soil.

Talking about sheep, people are running them with other stock considerably. I will tell you why people have not more sheep; it is just on account of the coyotes. The coyotes also account for the fact that we can not produce enough poultry and such things, so that you are doing a great work when you allow an appropriation to the Biological Survey to get them cleaned out. Your meat production and your hay production will increase very rapidly just as soon as the coyotes and other predatory animals are cleaned out. Sheep use up a lot of waste around a farm, around ditches and places that you can not get anything out of in any other way.

We are making a campaign for hogs. We are using different feeds out there. We are growing small grains. We are teaching diversity of crops in our agricultural schools and in our high schools and our vocational training, and have everything working to the same end.

Gentlemen, do not think we do not want things regulated right. We do, but we want everybody put on the same basis. We want to continue the harmony that we have always had between all branches of this industry, and we think it is vital to the country. We want everything regulated by law.

Mr. McLaughlin of Michigan. Are you getting rid of the coyotes?

Mr. Ammons. We are getting rid of the coyotes pretty fast, but it is not an easy job. You know, a bitch has six or eight pups every year, and they are pretty hard to get rid of. However, they kill a great many. I believe they killed some tens of thousands this last year. In some portions of the State, I am glad to say, we are increasing both sheep and poultry without any danger. I recollect at one time in riding my pasture for three weeks with a pack of dogs I caught 41 coyotes, and then I could not tell any difference in the destruction after that number had been killed. That is an important thing, although people do not seem to think so.

Mr. McLaughlin of Michigan. The reason I asked is that you ask for an appropriation every year and there is opposition to it.

Mr. Ammons. Well, we have opposition in the cities, Mr. Chairman. In our own State the people in the cities do not appreciate the necessity.

Ten years ago we made a survey with one of the best men we could get. At that time we had about 800,000 people, and we found that we were importing into the State agricultural and live stock products that should be produced in the State to the amount of about $32,000,000. That is, I think, about $40 per capita. We have changed that somewhat, but we have not got it entirely changed yet. Of course, we produce a great many more cattle than we are able to use, but we have not reached our capacity at all. In the same proportion as our State has settled up and has been furnishing winter feed for stock instead of making them rely, as they did when I went into the business, upon winter rang—as the State has settled up and winter feed has been produced, the live-stock production has increased; it has increased in exactly the same proportion. Twenty years ago—I have given you the figures to-day—our farm output was $16,000,000 and our live-stock output was also $16,000,000. That has gradually increased until this last year our live-stock production was $214,000,000 and our farm product production was $190,000,000.

Mr. ANDERSON. Governor, I understood you objected to this bill on the ground that it confers arbitrary powers on the Secretary of Agriculture or on the Commission of Foodstuffs?

Mr. AMMONS. Yes, sir.

Mr. ANDERSON. You object to conferring these powers upon either the Secretary of Agriculture or the commissioner, I take it?

Mr. AMMONS. Yes. If you confer them on anybody in the world, of course I would like to see them go to the Secretary of Agriculture as much as anyone that I know. The trouble is that you are establishing here the principle of discretionary power, which I object to.

Mr. ANDERSON. Well, let us go into that a little bit. This bill makes it unlawful for any licensee to engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce. Do you think that is a sufficiently direct prohibition of those practices?

Mr. AMMONS. Yes, sir. If that is made a law I do not think anybody would object. But I do not want to leave it to somebody's discretion to say whether that is unfair or not. He might be wrong in his judgment, and I do not think he ought to have that power.

Mr. ANDERSON. This bill proposes to make it unlawful for the licensee to sell or otherwise transfer to or for any other such licensee, or buy or otherwise receive from or for any other such licensee, any live stock or live-stock products for the purpose of apportioning the supply between any such licensees, or unreasonably affecting the price of or creating a monopoly in the acquisition of buying, selling, or dealing in live stock or live-stock products in commerce. Do you think that is a reasonable and fair prohibition?

Mr. AMMONS. Most of it, I think, might be all right as a law, but I am utterly opposed to the licensing of any ordinary business, because the very fact of a license gives discretionary power.

I was at the readjustment congress in Omaha right after the war closed. It was a little more than a year ago, I think. I was one of the so-called clearance committee. There were 22 States represented there, and that whole association went on record unanimously against licensing any ordinary business.

Mr. ANDERSON. Well, that is one proposition; I might not have any particular difficulty in agreeing with you about that.

Would you think it would be fairly definite for this law to prohibit a packer, for instance, from engaging or participating in any manner, either directly or indirectly, in the business of purchasing, manufacturing, storing, or selling foodstuffs other than live-stock products, where the effect of such participation in such business may be substantially to lessen competition in or to restrain commerce or to tend to create a monopoly in commerce in any line of foodstuffs?

Mr. AMMONS. If you would leave it with some opportunity to show whether it would have that effect or not, I would say that is all right.

Mr. ANDERSON. I shall not go any further with these prohibitions. Let us get right down to what you are complaining about. This bill authorizes the Secretary of Agriculture to make rules and regulations as may be necessary to carry out the purposes of the act. That is objected to by you, I think, and by everybody else opposed to this bill.

Mr. AMMONS. Yes, sir.

Mr. ANDERSON. Now, supposing somebody violates a rule or regulation, what happens?

Mr. AMMONS. You are turning it over to a commissioner——

Mr. ANDERSON. Nothing happens at all, unless a complaint is made by the Commissioner of Foodstuffs to the Secretary of Agriculture that the rule or regulation is violated. Is not that true?

Mr. AMMONS. I think you are wrong there, Mr. Anderson. I think if that happens out in Denver, for instance, the local officer there—that is the way I interpret it—it would not be the Secretary of Agriculture, but the officer there would bring it to the attention of the officer here.

Mr. ANDERSON. We had that in mind when we drew this bill, and it was provided that the Commissioner of Foodstuffs must make complaint to the Secretary of Agriculture.

Mr. AMMONS. Then it would be one of his deputies.

Mr. ANDERSON. Well, I assume that he would set up some sort of machinery for hearing these complaints.

Mr. AMMONS. There is not a town that I know of in the West that has not a killing plant or something of the kind. It will take a vast organization to cover that.

Mr. ANDERSON. Well, then, before anything could happen to anybody who violated a regulation under this act a complaint would have to be made by the commissioner of foodstuffs. Is not that true?

Mr. AMMONS. Yes; or by one of his deputies, I suppose.

Mr. ANDERSON. Then there would have to be a hearing before the Secretary of Agriculture. Is not that true?

Mr. AMMONS. I am not sure about that hearing; perhaps it is in there. There is one thing there for which a hearing is provided—not everything. There is only just the one thing in which there is any appeal to the court.

Mr. ANDERSON. Then if the Secretary finds that there has been a violation of the act he makes an order restraining the parties from continuing the act or revoking the license, but before that may become effective there may be an appeal to the court under this bill?

Mr. AMMONS. There is one thing there that there may be an appeal for.

Mr. ANDERSON. There may be an appeal in every case where the Secretary of Agriculture makes an order. Is not that true?

Mr. AMMONS. No, sir; I do not understand it so, and I read the bill again to-day. I think there are a great many things that there is no appeal for. Why should not that complaint go directly to the court first instead of to an administrative bureau officer? There is no reason why it should go to a special court. Why does it not go where other cases go? Why does he not make his complaint directly to the United States court? Then it will go on its regular course of procedure. I can not understand to save my life why you have to have a special court for everything nowadays.

Mr. ANDERSON. I think that is due very largely to the complex organization of business, under which you always have to have an established state of facts before you can act upon a question of violation of law to any degree of satisfaction. That is the situation with respect to the railroads.

Well, I just wanted to bring out the facts, Governor, that these powers are not quite so arbitrary as apparently appears on their face. I admit they are more arbitrary in this bill which I introduced than in any of the others, except the Kenyon bill.

Mr. AMMONS. You know it would be pretty hard to get an appeal on everything that comes up here.

Mr. ANDERSON. Well, I would not think an appeal would be desirable on everything that comes up here. There ought to be a right of appeal, but I would not assume that there would be an appeal in every case.

Mr. AMMONS. But to save my life, I can not understand why, in the first place, you should not go into a regular court instead of having a special court for this purpose. And that is what the commissioner or board would be in effect—a special court. We are having them everywhere, and I think it is wrong. I think most of our expenses in our States—I know from personal observation that most of our taxation—is coming out of that very fact, and we are going to have an awful load to carry.

If you have not sufficient laws, pass one to correct it as a preventive, just as we did. When we organized our State government, we passed all these laws against stealing and everything else, and those who violated them were punished in the courts. If you will take that course, you will find no serious objection to whatever you find is necessary to do about this or any other industry.

Mr. ANDERSON. You do not think there is any advantage in a commission where you can establish precedents with respect to what practices are permitted and what are not, where we can have a sort of quasi judicial proceeding where both parties are heard in a less formal way than they would be heard in a court?

Mr. AMMONS. I think if the courts are too formal they should be reformed. The courts are the best machinery I know of through which to get justice, and if they are going wrong they should be reformed. I do not believe that this sort of government is right. I do not believe that anything short of the courts should be given any power of interpreting laws or administering justice. I do not believe in those special courts.

Mr. ANDERSON. I do not want to prolong the testimony unduly, but I would like to develop as far as I can your point of view on the matter.

I understand that you think that the delegation of legislative power to the commission or to a departmental secretary is un-American?

Mr. AMMONS. I do.

Mr. ANDERSON. Well, then, when the Supreme Court determined that the Secretary of Agriculture had the power to make charges for grazing and to regulate the use of the forests, do you think they rendered an un-American decision?

Mr. AMMONS. Did they ever so decide? I did not know it.

Mr. ANDERSON. I understand they have.

Mr. AMMONS. I recollect, Mr. Anderson, that we spent $20,000 of our good money out there in the State of Colorado to get a test case in the Supreme Court on the question of police jurisdiction about fencing. We had a State law there requiring that a man fence his property to protect him against trespass by live stock. We had quite a controversy over that. We agreed on a test case which should go to the Supreme Court. We took it up with the Supreme Court, and they gave judgment for some reason or other—we do not know why—on the pleadings of the Government. I do not charge anything; I would not do that for anything in the world; but they did not pay any attention to our testimony. They construed it in their own way. We have not got the test case decided yet. We have not jurisdiction over our territory in all things.

Mr. ANDERSON. The power of Congress to delegate its authority to commissions and departmental heads has arisen in several cases.

Mr. AMMONS. I do not think it is right. I think you are making a mistake when you do it.

Mr. ANDERSON. You think if the Supreme Court decided the Congress is within its authority, and that it is sound public policy for the Congress to lay down the general rule of law and for a commission or departmental secretary to fill in the details it is making an un-American finding.

Mr. AMMONS. The result is un-American, whether it is or not. I want to tell you you have not lived under those conditions as I have, or you would not have asked that question. I have tried to be as good a citizen as there is in the United States. I have tried to teach my boys and everybody else to be good citizens, and I have spent a good deal of money in that sort of work. And I want to say to you that when Congress delegates its power to anybody to give him discretionary power over his neighbor or neighbor's business, Congress is making a mistake; and if you continue that sort of thing you will have the worst form of government in the next 25 years that it is possible to conceive of.

Mr. WILSON. I judge from your remarks you are not for the League of Nations.

Mr. AMMONS. I do not know anything about the League of Nations. We have got very tired about it. If you want to know, I will tell you that notwitshtanding the evidence of our Senators, 90 per cent of the people, both Republicans and Democrats, wanted the league voted on, and they want people and our own country to stay in the lead in handling that matter, instead of at the tail end of the kite, with the idea of getting it modified to suit us, and if we could not get it so modified to suit us then to leave. That is practically the unanimous sentiment of Colorado.

Mr. ANDERSON. You object to bureaucracy in the United States, but you do not object to international bureaucracy, if I understand it.

Mr. AMMONS. I am opposed to bureaucracy anywhere. I do not know anything about the League of Nations. I have read all the objections I have seen, and I have read the league provisions once or twice. All this we thought was for the purpose of helping to discontinue war as a policy; we could only be bound for two years. We were willing to do a good deal to have that done. Some of us had boys over there, and we would have liked to see peace established. But a good many of us will not live long enough to get it all paid for.

I can tell you what the sentiment of our people is, and I can tell you just as well as a United States Senator, whether he comes from Colorado or anywhere else.

The CHAIRMAN. Is the reduction of the Army and armament included in that?

Mr. AMMONS. I would like to see an effective Army. I have some peculiar notions on that also. I think you have got to have a strong force sometimes to enforce the law. You have got to have them in States. I do not believe that, however wise a city may be in the adoption of its ordinances, those ordinances are not worth a cuss without a good strong police force. You have to have the executive branch of the government armed with power to carry out the laws passed by the legislative branch of the government and adjudicated by the courts.

The CHAIRMAN. You believe in a large Army?

Mr. AMMONS. No; I do not believe in a large Army. I believe in an awfully good one, and I really think that every boy who is in school, of the right age, if he is taught how to produce better and to do all sorts of things, ought also to be taught how to protect himself. I do not believe it is going to hurt any of our boys of high school or college age to have military training sufficient to enable them to come out and respond on very short notice.

I have had some experience along that line in the agricultural college. We developed no militarists among all the men we have handled up there yet, but we have furnished a good many officers.

Mr. ANDERSON. You referred to the control of the market newspapers and to the control of the business of collecting and distributing live-stock quotations. You believe such quotations ought to be accurate, I take it?

Mr. AMMONS. I certainly do, and I will go so far, if it is necessary—it is not necessary—but if necessary I will go so far as to make it a misdemeanor for any paper to publish anything other than the correct sales. I will agree with you in that, sir.

I will go further than that. So far as all the papers in this country are concerned, I would make it a misdemeanor to publish something they knew was incorrect.

Mr. ANDERSON. Do you think if a paper is publishing live-stock quotations, that its ownership or interest in the quotations ought to be disclosed?

Mr. AMMONS. I do not understand.

Mr. ANDERSON. I say, do you think if a newspaper is publishing live-stock quotations that its ownership ought to be disclosed?

Mr. AMMONS. I do not know; I do not care anything about that. I want the quotations given correctly. That is all I would be interested in; that is what I would rely on; I would not look at the ownership of the paper, but if I am relying on those quotations in selling my live stock those quotations should be correct, and if there is any danger of anybody not publishing them correctly, then it should be made a misdemeanor. If they incorrectly report them, it is the easiest thing in the worl to find out, if they get you to come in there with your live stock on those reported sales.

Mr. ANDERSON. Is there not room for a difference of opinion there, to some extent?

Mr. AMMONS. Not a particle about any two questions. Everybody knows what sales are made, and everybody can get the facts.

Mr. ANDERSON. You are talking about actual sales?

Mr. AMMONS. Yes; all the other is guesswork. I would just as soon that that would be cut out, because it is perfectly misleading. I would not depend on anybody's guess.

Mr. ANDERSON. As long as those guesses are in there, do you not think it would be a good idea to know whose guesses they are?

Mr. AMMONS. I do not care whose they are; a man who pays any attention to them is very foolish. There is a wide range I go in there to that market with a load of steers, and they weigh 1,000 pounds, and my neighbor goes in with a load of steers weighing 1,000 pounds; his brings 3 cents a pound more than mine. That is because the quality of his steers is worth 3 cents more, and you can not make your quotations on the weight, because you do not know what the quality of the stuff is. Anybody on the market knows that, and I think it is perfectly idle to make the attempt to give the range of prices; but the actual sales are really the only thing you can judge by, and you must know the cattle. You depend upon your commission man. He knows what your cattle are. A man who sells without a commission man will make a mistake. I have seen it tried, and I never saw it tried twice in succession by anybody.

The CHAIRMAN. In that connection, what do you have to say about the Bureau of Markets' reports? Have they been of any assistance to you?

Mr. AMMONS. Out there?

The CHAIRMAN. Yes.

Mr. AMMONS. I think in some respects they have. Really, I do not believe that they ought to be discontinued because they have made some mistake on something. They have made some rather bad blunders, but I do think they have done their very best. We have acted in cooperation at the State Agricultural College in getting the data as efficiently as possible, just as the immigration board is acting in conjunction with the Bureau of Markets. We are trying to work together to get just as accurate data as we can on production. It is interesting, and I think it is useful to everybody. I believe in all those things. They make their reports just as nearly correct as they can on the information received. The results are not absolutely correct, because they are impossible to get. We have been trying for years to get an accurate estimate of the crop production in Colorado as well as of the live-stock production. I think we are getting it more accurately than we were, and we are doing the best we can.

The CHAIRMAN. I had reference to the market reports, where they are reporting the sales of cattle.

Mr. MARSH. I would like to ask a few questions, Mr. Chairman, if I may. I understand you are not attempting to speak for the Colorado State Grange or the State Farmers' Union?

Mr. AMMONS. No, sir; I am not. I am a member of the grange.

Mr. MARSH. Mr. John Morris is master of the grange?

Mr. AMMONS. Yes, sir.

Mr. MARSH. They have not taken any action against legislation, have they?

Mr. AMMONS. No; I do not know that they have, against or for. I know a good many of the members of the grange. Mr. Morris I count as one of my best friends. I have known him a good many years. I think the most of them take this position, that if any legislation is necessary they are in favor of it, but I have not found any of them who are in favor of bureaucratic control. We have had lots of that out there. We do not want any more of it. I think the majority in the political parties will stand on that. We have had it in the platforms of both parties year after year.

Mr. MARSH. But you are simply speaking personally?

Mr. AMMONS. Yes; I am not speaking for the grange.

Mr. MARSH. Mr. Chairman, the witness has shown a good deal of antipathy to Federal control, and I wonder if I might read a few lines of testimony of Mr. John Grattan before a coordinate committee, the Senate Committee on Agriculture?

Mr. AMMONS. Mr. Grattan is a member of the Grange. He used to be a member of the Stock Yards bank, and was on the board of control with me.

Mr. MARSH. He is a reliable man?

Mr. AMMONS. Do not ask me about anybody out there; I do not want to say anything about anybody, and I will not.

Mr. MARSH. Here is what Mr. Grattan said, on page 1616, part II——

Mr. AMMONS (interposing). I read that. Mr. Grattan also testified to show how a good man may be mistaken without he is in the employ of the packers, and I never was. He also said——

Mr. MARSH (interposing). He does not say you were in the employ of the packers. He said you were running a lot of packer's institutions and that he did not know whether you were getting paid for it by the packers or not; that is, whether you were getting a salary from them.

Mr. AMMONS. That is what I said, that I am not in their pay.

Mr. MARSH. And in this reference I have given, Mr. Grattan, after discussing the question of ranges, said as follows, taking up the quotation now. [Reading:]

> And where those ranges were overstocked and the grass was eaten out to-day, by a proper system of using the forest reserves, men knowing the amount of cattle that can go on there, etc., we are enabled to turn out big fat beeves instead of scrubs—all due to this great Federal Government and the Federal control of these ranges. And there are few people who have thought of that condition; and I might say that one of the representatives of Colorado who came here, ex-Gov. Ammons—and this fact is recorded in the forester's office in the city of Denver—undertook to maintain an old range of his—or not of his, but he represented a big cattle outfit—and they threw it into the forest reserve, and his application was made for that immense tract of ground, but he could not get it. He was told by those people: "Here are small home owners living in the vicinity of this range that you wish to monopolize, and it must be divided among them." And from that time on the ex-governor has been a vigorous fighter of Federal control.

Mr. AMMONS. Now, Mr. Chairman, I am glad I know where that came from. That is the first time I have known. I want to tell you what the facts are, and I have witnesses right here to do it—I will bring you a thousand about that fact, if you want them, Mr. Marsh.

I intend to answer that imputation right here, and I want to say that if John Grattan or any man in the world said I applied for a large range there is a liar out of whole cloth. My position about the forest reserve from the beginning was that it stood against settlement, and they have made report after report to officials here that have been not true. I can take every man whoever rode that range with me and bring him in here, without a single exception, and prove that statement is untrue.

I have been wanting to know where that report came from. I was told that it was set forth in the report on the Forest Service that everybody in my neighborhood was in favor of the reserves but myself, when, as a matter of fact, we had a local organization, and because I happened to be a member of the legislature I was asked to go and protest against things that were being done. And then there was an officer who went and reported that I had been taking the opposite position. There is a man right here who had the same interest in that business as I had, a partner, in this room, and I can bring him to testify that from the beginning there never was any truth in that.

But I want to tell you this about this very forest reserve policy there. There were some who stood for it; they felt thay had to do so, and they divided the old State organization, of which Mr. Klug is now president. They established a forest reserve organization in the State, and people had to join that, who were doing business there. Mr. Grattan was secretary of that organization and he traveled over the country some. He never had any cattle in the reservations, I am quite sure. He did not have the personal experience, and that statement is worthless absolutely as to telling what are the conditions in that reservation.

I can bring you every single man who had cattle on that reservation, and he will tell you that—John Higginson, Ed. Culver, and Jim Phelps, who had most of the cattle. It was not a big range nor a good range, and did not hold very many cattle. They would tell you that we brought in the small fellows and it never cost them a cent; that we were on good terms with every single one of them; and that we tried, and that I individually, have tried, on every single occasion from that day to this to protect the small owner; and for that sort of thing, gentlemen, I am protesting here.

I do not care how they bring in reports to the contrary; they are not true. Every man acquainted with the facts knows it is true as I have told you, and Grattan ought to know it. So if it turns up as an official report, whoever made it is a liar, and the lie is made out of the whole cloth.

Mr. Rainey. Governor, let me interrupt you right there. I do not want you to feel disturbed as a result of the attitude of the gentleman who asked that question of you, because that seems to be his specialty. He has even attacked my membership on this committee in a letter that he read into the record.

Mr. Ammons. Let him come out to Colorado and ask the people there where I stand. Let him go out among my old neighbors where I live and ask them, and not trust some fellow who comes down here that such as you would try to put over our best interests in Colorado and run in the same way.

I have always treated those people fairly; I have protected them in every instance. I got the members of that organization together out there, and have tried to work with them and be white with them; and I want to tell you that they can carry bureaucracy and discretionary power just a little bit too far, as they do when they go and make an official report that has no more truth in it than this one.

I did apply, when Secretary Hitchcock was Secretary, long before he went over into the service, for the same number of cattle I had raised there and had kept on that range. Mr. Dawson and myself grazed them there, and I want to tell you I have worked hard and long hours. I lived there with my wife, and she worked for years to build up a range which we had to abandon because of the accursed system which you, Mr. Marsh, are representing here, which is inexcusable and un-American.

I want to say that I am mighty glad to find where that report came from. I knew somebody had filed it here. Go out there. I know the governor and every other governor who has been in Colorado; every Member of Congress of either party, and I will put them against you and any other man who files that report, I do not care who he is.

I recollect when I applied for that permit for 1,200 cattle, that I got back from the department a letter like this: "I do not know of any reason why I should give you a permit for 1,200 head of cattle," etc. I sent it down here to Senator Teller, and he took it over to Secretary Hitchcock, who told his subordinate to issue the permit. We got out of that.

I want to say, Mr. Marsh, that I worked awfully hard there for many years, as also did my wife. She worked just as hard as I did. We accumulated a little property. We had a half interest in the property, probably, and that included private lands outside, which we paid for. We lived there for two or three years on $20 a month, in order to accumulate this property which was worth $110,000, and we have abandoned it because I did not want to be in a row with the Government all the time. You go and look at that plant to-day, or have any man to look at it, and tell me if it is in as good condition as it was then. The plant has gone down. I had the best feeding plant I have ever seen in that State. And these fellows who have been sent out there to look over that land that have prevented settlement, that have followed me just as far as they could and have done me all the harm that they could, what good have they done for the State? If you have done the State any possible good by that policy, you can have the balance of the land. But I want to say right here and now that when they come in here with such reports as that, which are absolutely false from beginning to end—they never had any effect whatever, never had any truth whatever in them, except perhaps some official reports; and, gentlemen, if you are going to pay any attention to anything like that, all I ask is an opportunity to prove that they have followed me without any reason; that they have lied, not only this man but many others, simply to discredit me down here.

Come out in that country, and I will put you in the hands of anybody you say, if you will go anywhere in that State to see the citizens and see who stands and who does not.

Mr. MARSH. I think I am privileged to answer Mr. Rainey's statement as follows: George P. Hampton, now managing director——

Mr. MCLAUGHLIN of Michigan (interposing). We have gone through this once, and this record is balled up with that kind of stuff, and I object to going into it any further, and I also object to his asking any questions like the one he has just asked Gov. Ammons.

The CHAIRMAN. Under the rules, Mr. Marsh is permitted to ask questions, but members of the committee reserved the right to determine whether the questions are proper.

Gov. AMMONS. I do not care how many questions he asks me.

Mr. THOMAS F. DAWSON. I am the Mr. Dawson to whom Mr. Ammons referred. I would like to say just a few words in regard to myself, so as to establish my own standing, if I may. Mr. Ammons and I went into partnership in the cattle business in 1885. A year or so after that I came to Washington with Senator Teller as his private secretary, and continued with him for some time in that capacity and as clerk of his committees. After that I was for 20 years with the Associated Press, reporting the Senate for them, and then I was executive clerk of the Senate.

I want simply to say that to establish my own responsibility.

I have known Gov. Ammons ever since he was a boy, and I know absolutely that his conviction was against the forest reserve principle before the forest reserves were established. I know also that his judgment in the matter was not in the least affected by any decision that was made against him in respect to any application that he may have made.

And I know that his standing in Colorado is to-day equal to that of the very best other men in the State; he has been elected Governor of the State; he is and has been for 15 years president of the Western Live Stock Show; and he is a member of the board of the agricultural college, whatever it may be technically called. Further, he is more sought after for his advice and his counsel in all matters of public policy than any man I know of in the State.

Now, I beg your pardon. I am not brought here as a witness, but I do feel, as Mr. Ammons's old partner, and as the one man in the room that has known him all these years, that I ought to say this one word in connection with this infamous charge that has been made against him, a charge that could not be substantiated, I am sure. I know it to be true that we were driven out of the forest reserve by the policy that prevailed there by this Forest Service.

Mr. ANDERSON. Mr. Dawson, may I ask you to state the conditions under which you were driven out?

Mr. DAWSON. You must understand, Mr. Anderson, if you will, that I have been a resident there only a comparatively little time. So far as I know, however, we were compelled to get out simply because of the fact that the reserve was overstocked. I do not know that this has any pertinency to the occasion, but that was the condition, as I understand it. As Mr. Ammons has said, the range was not a very good range, and it was so understood, but when the forest reserves were established and the price was put upon the land, apparently it had the effect of bringing more people in there and more stock than there had been before, when the range was free, queer as that may seem. That is as far as my information goes. I am no expert on cattle production; I desired only to make a statement in connection with the charge against Gov. Ammons. I could not tell you much about the cattle business, or throw much light on the questions that are before you. This is a matter that is extraneous, but I felt in justice——

The CHAIRMAN (interposing). You need make no apology for your statement.

Mr. DAWSON. I do apologize, Mr. Chairman, because I think the reflection on Gov. Ammons is unjust and the charge untrue. I think the whole matter is foreign to this inquiry, if I may be allowed to say that.

Mr. MARSH. Mr. Chairman, I do not question the procedure before another branch of the Congress, and for Mr. Wilson's information may I state that I read an excerpt from the testimony of Mr. Grattan, given before the Committee on Agriculture and Forestry, of the Senate, last August, I think.

Mr. McLAUGHLIN of Michigan. Whose testimony is that?

Mr. Marsh. Mr. John Grattan, of Broomfield, Colo. It has a vital bearing on this situation. May I read a little more, because I am sure I can not be accused of putting in anything bolshevistic if I read the record. Senator Kendrick asked the following question:

> Senator Kendrick. Mr. Grattan, you spoke a moment ago of ex-Gov. Ammons, who offered very strong testimony here against these bills—

As I say, it was the Kenyon and Kendrick bills—

> Do you know of any reason why he would be particularly favorable to the Denver stockyards and the Denver markets?
>
> Mr. Grattan. Well, I have recited here his connection with those people I think in about four or five institutions—that he was the president of the paper owned by them; and the president of the Western Stock Show, owned and controlled by them; and the president of the agricultural bureau of the chamber of commerce, which is controlled absolutely by them; and his general affiliation with them. So naturally, he would feel very kindly toward them.

There ends the quotation I am reading. Now, are those statements true?

Mr. Ammons. They are not; they are misleading in this way: I am president of the stock show and have been all along. That is my dream. I have been proud of it ever since it was started. I have devoted much time to it, and never got paid for it. I do not know how many months I have given to that. This year I asked the board of control to allow me a little fund to offer prizes with. I say I did not get paid; I drove over the State at $50 a month, if you think that is pay. The stockyards were asked to take part in that show. I explained that earlier in my testimony. They are represented; the business men of Denver are represented; the producers are represented; the feeders are represented; they are all represented in that show. We hold it at the stockyards, because we could not hold it anywhere else.

Mr. Marsh. Who owns the stockyards?

Mr. Ammons. They are now owned by the packers. The packers took part in the show and backed us in our losses until last year. Now, they refuse to do that, and we are paying rent, because of this trouble down here.

Now, then, you talk about the chamber of commerce; I am chairman of the agricultural and live stock bureau of the Denver Chamber of Commerce. I took that position a couple of years ago mainly at the solicitation of Mr. Simonson and Leo A. Reynolds, and men of that kind, who have nothing to do with the stockyards. That organization is not owned by the packers nor controlled by them. They have a few memberships—the chamber—as all other large organizations in the city have. There are about 4,000 members, and they have quite a number of memberships; I do not know how many; not very many, although that is the biggest institution in the city. There has been no question of that sort come up, and nothing to embarass me or anybody else in that connection.

So far as that paper is concerned, I explained that. I am president of the Farmers' Life Insurance Co.—I suppose that belongs to the packers—but it doesn't though. We started a little circular, and we called it after the name of the association, The Farmers' Life. It cost us a good deal to run it, and the officers thought we should not do it. It was done on my solicitation. I never heard any complaint of that until I heard it in this testimony. While I was governor there was a deal made with Mr. Temple, of our insurance company, who is now dead, and Fred Johnson, secretary of the Live Stock Association, said that he would take it over, as he thought we ought to have another agricultural paper in Colorado. Afterwards they organized a company and I was president of it, and I do not know but what I am president of it yet. W. D. Jamison had some sort of a paper at Cheyenne. Fred Johnson got him to come, and I never saw him until then, and made arrangements for him to buy the paper. For a time I wrote a column for it. I have written articles for almost every paper in Colorado and never got much pay; some of them I got nothing from. I wrote on live stock and farm subjects. I have spent a great deal of my time in that way, not for pay, but just as I am on the board of agriculture. I am simply doing it for love of it.

It may not sound reasonable to you, but there are some people in the world who are willing to work for the younger generation. For over 30 years I have worked in that way to help agriculture. For a while the Farmers' Life gave me $5 a column for two columns a month. They said that was all they could afford. I did it to help out. I have been working for the Great Divide, of Denver, for a year, writing something every week on agriculture and live stock. It helps me along a little—not very much—there is not much pay in it; I would not go out and do any work for that pay, $25 a week, if it was not that I want them to get the good of it and teach agriculture in Colorado. That is all, Mr. Marsh.

It seems to me, Mr. Chairman, it is entirely out of place to come in here and quote somebody on a thing of that kind which everybody in Colorado knows is untrue.

Mr. **Marsh**. Have you sued Mr. Grattan for libel?

Mr. **Ammons**. No; I don't think that I would get anything. I never replied to anybody or to a newspaper article in my life, and I have been the victim of as much misrepresentation in Colorado as anybody.

I came here to help this committee; to advise on conditions in Colorado. I don't think anybody knows them better than I do. And I want to say when they butt in here from some other department with something that is absolutely untrue, I do not take very kindly to it.

Mr. **Wilson**. Governor, I will say for one member of this committee that I do not approve of bringing in these reports which you know nothing about, or which you have not had a chance to contradict up to this time. I do not think we ought to indulge in it, or that it ought to have any weight on any one of the committee.

Mr. **McLaughlin** of Michigan. When did you first hear, Governor, of the charge that the packers were interested in the newspaper that you partly owned?

Mr. **Ammons**. Why, I never heard it; somebody told me out there somebody had testified to that effect down here.

Mr. **McLaiughlin** of Michigan. When?

Mr. **Ammons**. I do not recall. It was recently; just before I came here. I intended to try to find out. I did not even edit my testimony before that committee.

The **Chairman**. Governor, what is the character of the first organization you referred to?

Mr. AMMONS. The. National Stock Show; that is the National Western Stock Show. We think we have at least next to the best show in the United States.

The CHAIRMAN. Where you exhibit stock?

Mr. AMMONS. Yes; a big live-stock show association. It is annual; we hold it every year. We have a great pavilion there, the biggest one in America now. We have new grounds at the stockyards, a portion that they do not use for their ordinary business. We had at the beginning of the show last year about 16,000 cattle on exhibition. We had in Hereford and Short Horns as many as they had at Chicago. We had 630 entries of hogs. That is the show.

The CHAIRMAN. I wanted to find out the character of it.

Mr. AMMONS. Yes. Many States contribute. We had exhibits from as far as Indiana. We tried to build the show, as I said in my testimony, so that it would be an object lesson, so that we would get better breeding. We thought that by combining we would build a great institution, not only for Denver but for the State, to teach the people by comparison and be able to conduct a campaign in Colorado to increase production. The agricultural college is back of it, and everybody is interested. Secretary Houston was there a year ago, and Mr. Potter, I believe, was with him. I took them through it, and the Secretary seemed to be delighted with the progress we had made. Nobody has made any money out of it; we have seen to that. Nobody is now making money out of it. That has been one of the principles in the first place, that this was an educational proposition, and we tried to conduct it that way, not only to build for Denver, but to help the industry throughout the West.

The CHAIRMAN. Governor, is it along the same line as the live-stock show in Chicago?

Mr. AMMONS. Yes; exactly the same and as the Royal in Kansas City. We are not just a feeder show, but we have some features they have not in other places. If there is anybody here from Chicago he will have to excuse this—we have one element that nobody else attempts. We show registered cattle in carload lots. We had 60 entries there this year. The packers are interested in it, because they want a big market there, and the producers are interested.

Mr. VEEDER. I want to say as to this paper, Farm Life, I never heard of it, and so far as I know Swift & Co. never heard of it and are not interested in it. So far as Swift & Co. are concerned they are not interested in it.

The CHAIRMAN. Is there anything more?

Mr. MARSH. Yes; I would like to ask a few questions. Isn't it true that Denver has owned its own stockyards?

Mr. AMMONS. No; originally it was privately owned; yes.

Mr. MARSH. Individually, by Denver people?

Mr. AMMONS. Yes.

Mr. MARSH. And then the packers bought it?

Mr. AMMONS. Yes.

Mr. MARSH. You have a fair ground?

Mr. AMMONS. Yes; the Overland Park. The old fair ground has been discontinued. It was first Jewell Park and then Overland Park. There was a race track, and then they passed laws against betting on horse races, and they haven't had much success with that since.

Mr. MARSH. And then you decided to hold the live stock shows in the stockyards with the packers?

Mr. AMMONS. Yes; that is the only place we could hold it.

Mr. MARSH. That is the only place you could hold it?

Mr. AMMONS. Yes.

Mr. MARSH. And they were financially interested.

Mr. AMMONS. Everybody helped to finance it; we took $20,000 from our membership last year.

Mr. MARSH. And the packers put up a considerable amount?

Mr. AMMONS. Yes; three or four hundred thousand dollars in the buildings they use for other things.

Mr. MARSH. You were connected with the company?

Mr. AMMONS. What company?

Mr. MARSH. The live-stock company?

Mr. AMMONS. I organized the live-stock show and was interested in it.

Mr. MARSH. Who got the packers to put up the money?

Mr. AMMONS. I had as much to do with it as anybody else.

Mr. MARSH. So you are under some obligations, Mr. Grattan might infer?

Mr. AMMONS. Mr. Grattan was on that board for awhile.

Mr. MARSH. But he does not seem to be beholden to them because he gave testimony against the packers in this other hearing.

Mr. AMMONS. If you can not ask me decently, Mr. Marsh, I do not care to answer any more of your questions. I am under no more obligations than you are.

Mr. MARSH. I am under obligations to them for having to pay astoundingly high prices for meat.

Mr. AMMONS. I deny that.

Mr. McLAUGHLIN of Michigan. I don't know how far we will go into that.

Mr. MARSH. That has been established here. The packers are a big factor in the Denver Chamber of Commerce?

Mr. AMMONS. They are a big concern, and have memberships; I don't know how many; we have between 4,000 and 5,000 members.

Mr. MARSH. Has the chamber of commerce been taking any action on this report of the Federal Trade Commission?

Mr. AMMONS. I don't know whether it has or not. Following the lead of the United States Chamber of Commerce, it has gone on record against the licensing of any ordinary business. To that extent it has gone against this, yes.

Mr. MARSH. You know the United States Chamber of Commerce is trying to put the Federal Trade Commission out of business?

Mr. AMMONS. No; I don't know that.

Mr. MARSH. That is too bad; that happened as soon as they made this report on the meat-packing industry.

Mr. AMMONS. I wish they would succeed.

Mr. MARSH. You spoke of how over a series of years the rural population of the United States has been decreasing in the country, and did you attribute that to the influence of the packers?

Mr. AMMONS. No; I did not. Let me answer that. Perhaps I did not make myself plain, and I would like to answer that question. I was farming all that time; doing nothing else. There was a period 20 or 25 years, I find, that live-stock people were not able to make ends meet, and the prices in the country were so large that the population drifted from the country to the cities, and the same thing is going to happen now if you attempt to cut the prices down so the farmers can not produce at living prices.

Mr. MARSH. Do you deny that the packers have reduced materially the price paid to producers?

Mr. AMMONS. I don't know that they have. They might have in some places, but that has not been my experience.

Mr. MARSH. You get the quotations on the big markets, don't you?

Mr. AMMONS. Yes; but what has that to do with the prices they sold at?

Mr. MARSH. The quotations are the prices they sold at?

Mr. AMMONS. I beg your pardon. The quotations are what the market has been; the markets are the sales.

Mr. MARSH. I accept that; that is right. The records show they have been hammering down the prices right along?

Mr. AMMONS. I don't know who has been hammering them down.

Mr. MARSH. The packers?

Mr. AMMONS. I don't know that.

Mr. MARSH. Have you any cooperative packing plants out in Colorado?

Mr. AMMONS. I don't know of any cooperative plants. We have lots of so-called independents.

Mr. MARSH. What do you mean by "so-called independents?"

Mr. AMMONS. Well, I have heard them called independents; I do not know why they are. There are a number of small packing plants around Denver. Pueblo has one; there is one at Durango, and some in some of the counties—almost every county of any size has one. There is one at Fort Collins and one at Longmont; they are almost everywhere. But there are three or four big buyers in the Denver market, and we get as many buyers as possible.

Mr. MARSH. You do not object to the railroads owning the refrigerator cars, do you?

Mr. AMMONS. I do not object to it if they furnish them properly; I do not object to anybody owning them if they furnish them right.

Mr. MARSH. Do you think the small packing plant, and they are small when they start, have an equal chance with the big packers, with the big packer now owning 91 per cent, approximately, of the refrigerator cars?

Mr. AMMONS. I have been told, and I heard some testimony here last summer, that they can rent cars if they want to.

Mr. MARSH. On whose terms?

Mr. AMMONS. Mr. Marsh, how do you deal with a man who has spent a lifetime in building up a business and has the means of delivering his goods? Do you take his delivery wagon away from him and give it to somebody else?

Mr. MARSH. It depends upon whether he has a delivery wagon as wide as the street and he is the only one that can deliver the goods.

Mr. AMMONS. I agree with you on that thing; if nobody else can go down street, it ought to be stopped.

Mr. MARSH. Then, on this other question of the stockyards, you do not object to the railroads owning the stockyards, in order that the little fellow can offer his cattle for sale on neutral territory, so to speak?

Mr. **Ammons.** I do not know who owns them—I want them—I am talking now of ourselves—I do not know anything about others very well; I never shipped anywhere else nor drove but few anywhere else. In our yards we did not have anybody there until we got somebody interested in building them up. I used to go there when it was owned by private interests, and it was not big enough to make a market, and sometimes did not have a single buyer. I have not seen that condition since the packers bought it.

Mr. **Marsh.** You are next to Nebraska and know what splendid work the Nebraska Cooperative Association is doing?

Mr. **Ammons.** No; I do not. I know many people down there. We have cooperative shipping associations down there, and they are working well. We are all trying to help them; I am and am very much in favor of it. It helps a lot to have half dozen men in a country get together and ship their hogs and get them on the market that way.

Mr. **McLaughlin** of Michigan. Mr. Chairman, I move that the committee take a recess.

The **Chairman.** Without objection, the committee will stand on recess until tomorrow morning at 10 o'clock.

(And thereupon, at 5.40 o'clock p. m., the committee stood on recess until 10 o'clock tomorrow morning.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, MARCH 17, 1920

PART 19

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

House of Representatives.

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JOHN W. RAINEY, Illinois.

L. G. Haugen, *Clerk.*

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MEAT-PACKER LEGISLATION.

Committee on Agriculture,
House of Representatives,
Wednesday, March 17, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The Chairman. Are you ready, Mr. Rainey?

Mr. Rainey. Yes, sir.

Gov. Ammons is here.

Mr. Ammons. I did not finish last night. I want to know if there is anything further that you want of me, any further questions?

The Chairman. There are no more questions, Governor. We are very grateful to you.

Mr. Ammons. I desire to thank you for your consideration and the time which you have given me.

Mr. Rainey. We are very grateful to you, Governor.

Mr. Ammons. I should like to know if there are any further questions as to what was said about the stock show last night. I did not intend to make any personal reflections, other than to correct any misunderstanding that might have been created about the show. I do not want to encumber the record, but if any attention is to be paid to that, I should like to let you know what the facts are.

The Chairman. My question was simply for information. It was very proper that it should be held in the stockyards.

Mr. Ammons. I want to say that the stock show out there is supported by all interests, by the breeders, by the producers, and others. The State itself contributes $5,000 to it and the Civic and Commercial Association of Denver contributes $5,000 toward the premiums. That is a law. We try to keep it in the control of these interests and nobody expects to make anything out of it.

The Chairman. We are very grateful to you, Governor.

Mr. Ammons. I thank you.

The Chairman. You may proceed, Mr. Rainey.

Mr. Rainey. I will call on Mr. Charles P. Mullen.

STATEMENT OF MR. CHARLES P. MULLEN, SKULL VALLEY, ARIZ.

The Chairman. Please give your full name and address.

Mr. Mullen. My name is Charles P. Mullen, and my address is Skull Valley, Ariz.

The Chairman. You may proceed.

Mr. Mullen. Mr. Chairman and gentlemen of the committee, I have not prepared any regular talk, I am not a talker, only around a camp fire or somewhere around the range. I am in the cattle business and have been practically all of my life. I am the president of our State association in Arizona and have been practically the last 10 years, with the exception of two years that I was out during that time.

Mr. Anderson. What is your organization?

Mr. Rainey. What is the title of your organization, Mr. Anderson asked?

Mr. Mullen. The Arizona Cattle Growers' Association.

I am also the president of an association that was formed in Salt Lake City for the purpose of some control of the public domain. We have had the question that is before this committee of packer regulation up before us in our association for practically the last two years, and it has been the leading issue at three different conventions held by us in our State. It has also been an issue before the national association and at the last several meetings of that association, of which I am a member, and also I am a member of the executive committee of the national association. During the convention, I think it was five years ago, in El Paso of the national association, there was started what was termed a marketing committee. I think the original starter of that was Mr. de Ricqles, of Colorado, and the plan was to have municipal packing plants to run in opposition to the five big packers. That was the main gist of Mr. de Ricqles' argument and talk. The marketing committee was created. In my opinion or judgment at that time and a great many other of us it was for the purpose of stimulating the market and not tear it down, but there were some members of the marketing committee who were not cattle men and who never had been cattle men.

Mr. Tincher. Who were they?

Mr. Mullen. Dwight B. Heard was one of those. Mr. Lasater, I think, was another one who, at least, had never to my knowledge, been in the cattle business and I know Mr. Herd never was a practical live-stock man.

Mr. Tincher. Mr. Lasater is not a cattle man?

Mr. Mullen. Not then to my knowledge.

Mr. Tincher. It is your judgment that Mr. Lasater is not in the cattle business?

Mr. Mullen. He was not then. That was my understanding, Of course, I do not know.

Mr. Tincher. You have been misinformed. I think Mr. Lasater has been in the cattle business ever since I can remember, for 30 years.

Mr. Mullen. Perhaps so. I stand corrected. I was told that. Mr. Heard was president of the association when the marketing committee was organized.

Mr. Tincher. Where did Mr. Heard live?

Mr. Mullen. In Arizona.

Mr. Tincher. He was not in the cattle business?

Mr. Mullen. He was not.

Mr. Anderson. Who?

Mr. Mullen. Mr. Heard.

Mr. Anderson. He is a sheep man?

Mr. Mullen. No; he is a real estate and newspaper man in Phoenix.

Mr. Tincher. You named another man, Mr. Pryor?

Mr. Mullen. Yes; Mr. Pryor was not in the cattle business directly.

Mr. Tincher. I think that Mr. Pryor has been in the cattle business since 1870 unless he has gone out of it in the last two months. I do not think there has been any time when he has not been heavily interested.

Mr. Mullen. I understood that he was retired. At any rate, the marketing committee was created for that purpose. The first bill gotten up by the marketing committee was for public ownership. That was the Sims bill. When we, from Arizona, went to Denver at the national convention meeting, which was a year ago this last January, we very bitterly opposed the Sims bill or any Government ownership of the packing business or any other business. Then Mr. Kendrick and Mr. Jastro came before the executive committee and recommended this new bill, the Kendrick bill, it was called then. We did not have an opportunity to read the bill, but it was told to us, we were given to understand, that it was a compromise bill, that they and the packers had met and agreed on practically the Kendrick bill.

Mr. Tincher. Mr. Kendrick was there personally?

Mr. Mullen. Yes, sir; and he appeared before the committee.

Mr. Tincher. Did he tell you that?

Mr. Mullen. Yes, sir; Mr. Jastro also told us that. The bill was passed with that understanding.

Mr. Tincher. There was a resolution adopted indorsing it?

Mr. Mullen. It was passed by the executive committee. There was no resolution drafted recommending the executive committee to pass it.

Mr. Tincher. That was the Kendrick bill?

Mr. Mullen. Yes; that was the Kendrick bill.

After we returned home at our next annual convention the bill was brought up and discussed and very bitterly opposed by some of the members of our association. I got up, as the president of the association, and made the explanation that it was a compromise bill. I thought under the circumstances that it was satisfactory to all parties concerned and was right, and so it was passed on my recommendation.

Mr. Tincher. Indorsed by your association?

Mr. Mullen. Yes, sir.

Mr. Rainey. What association was that?

Mr. Mullen. The Arizona Cattle Growers' Association. Then, after the bill had been more thoroughly considered by a good many of our members, we passed that with reservations, mind you, with proper amendments. Then, they wanted me to call a meeting of the executive committee for the purpose of passing on the proposed amendments to the bill. I called the executive committee together. At that meeting Mr. Herd and Mr. Jastro were present, and they questioned the authority of the executive committee to pass on the bill which the association in its entirety had previously passed on. I sustained the point. There was a motion made that we call a special session of our association to go over the Kendrick-Kenyon bill. At that time they had the Kenyon bill. That meeting was called. At that meeting the entire day was put in discussing the bill. As president of the association, I had had my attorney, the association's attorney, Mr. Charles B. Ward, of Phoenix, to analyze the two bills for us and to tell us just what, in his judgment, the bill would do to us.

Mr. Tincher. When was this meeting?

Mr. Mullen. That was on November 10.

Mr. Tincher. Last November?

Mr. Mullen. Yes, sir. After a thorough discussion of the bill the ballot showed, I think, 36 against the K-K bills or any like bills and authorized me, as president, to have a committee appear before any hearing in Washington against the bills—that is, the K–K bills or any like bills.

Mr. TINCHER. There were 36 who voted?

Mr. MULLEN. No; the vote was 36 to 18, practically two to one.

Mr. TINCHER. That was a State-wide meeting of your association?

Mr. MULLEN. That was a special meeting of the entire association.

Mr. TINCHER. Now large an association have you?

Mr. MULLEN. We have an association of about 1,200 or 1,400 members. We had a great many more members at this particular meeting than really ballotted. They got tired and a good many had gone out.

Mr. TINCHER. There were only 54 ballots?

Mr. MULLEN. That is all. Many of them had to go home. I would say this, and I think I can say it with absolute truth, that all of the members that favored these bills were held there.

Mr. TINCHER. There had been a depressed market that summer, had there not?

Mr. MULLEN. I would not say exactly a depressed market, but there was a series of droughts over different parts of the United States.

Mr. TINCHER. I mean there was a declining market that summer?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. And you called a special meeting of your association and at that meeting you decided that the condition of the market was partly accounted for by the agitation against the packers?

Mr. MULLEN. No; I do not think anyone saw it that way, that because of the agitation against the packers the market was depressed. The main reason why it was depressed was because thousands of cattle were coming on the market from droughty districts and we were having some drought in our state and in the lower part of the State the cattle were dying. Those were the things that were depressing the market.

Mr. TINCHER. There was discussed at this meeting the agitation about the packers?

Mr. MULLEN. I think that statement was made by some one in the meeting, but I do not think that it was generally considered. I know I made the statement—Mr. Herd and someone else, Mr. O. B. Fuller, got into that discussion, and I made the statement, if you will look it up, that the reason for the depression was on account of the drought and that the packers had nothing to do with it.

Mr. TINCHER. Do you have meetings which are reduced to writing so that they can be looked up?

Mr. MULLEN. Yes, sir; we have a verbatim report of every meeting held.

Mr. TINCHER. Where can I get a copy?

Mr. MULLEN. I have one here in my room at the hotel which I will be glad to give to you.

Mr. TINCHER. I thank you.

Let us pass on to clear up another matter. Senator Kendrick is a cattleman as well as being a Senator?

Mr. MULLEN. Yes, sir; a very large one.

Mr. TINCHER. And you want the committee to understand that Senator Kendrick obtained an indorsement of his bill by a committee of which you were a member by misrepresenting about the packers having agreed to the legislation, and the reason you then indorsed the Kendrick bill was by reason of the misrepresentation that the bill was satisfactory to the packers?

Mr. MULLEN. Yes, sir; that was the only reason I saw for it. I was always against the regulation of any private business.

Mr. TINCHER. And you understand that it was indorsed on his representation that it was satisfactory to the packers?

Mr. MULLEN. I did not say that.

Mr. TINCHER. You do not believe that Senator Kendrick made that representation?

Mr. MULLEN. No. He said the packers had practically agreed to the essential parts of the bill.

Mr. TINCHER. Instead, did not Senator Kendrick say they were trying to control the situation and men like Armour and Swift had agreed that the time had come when there should be legislation embodying the principles of the bill?

Mr. MULLEN. He did not say that; no, sir.

Mr. TINCHER. He said they agreed?

Mr. MULLEN. He said they practically agreed to the essential parts of the bill that he was reading to us, and that it was satisfactory to them.

Mr. TINCHER. That he would not be in favor of legislation that the packers would not agree to?

Mr. MULLEN. I would not say that. So far as I know the packers are not unfavorable to any legislation against anyone that needs legislation. I want to make myself clear here. I know very little about the packer business. I am a producer of range cattle. I operate on the forest reserves on leased State lands, on the public domain, and on lands that I own myself. So I am on all sides of the range business.

Mr. RAINEY. You do not want to be understood as saying your organization went on record as a result of what Senator Kendrick said that this bill was agreeable to the packers—you mean it was agreeable to both the packers and the producers, as I understood you?

Mr. MULLEN. Yes; that was it, exactly.

Mr. TINCHER. Here is the proposition. I hold no brief for Senator Kendrick, but that he held out any false representation to the committee of cattlemen I can not help but think that you misunderstood him.

Mr. MULLEN. I think Senator Kendrick at the meeting at Spokane put out to the general public a false action of that convention.

Mr. TINCHER. The false action of what convention?

Mr. MULLEN. At Spokane. I do not believe that the true sentiment of that convention was expressed through that convention. I think that tactics were used there which absolutely threw the convention, so far as the delegates present were concerned and gave out a false impression to the general public.

Mr. TINCHER. That is at Spokane?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. Senator Kendrick was there and spoke before the convention?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. His speech is a matter of record?

Mr. MULLEN. That is true.

Mr. TINCHER. The packers had representatives there—Mr. Weld was there?

Mr. MULLEN. No; Mr. Weld was not there. The packers were not allowed to speak at all in that convention. They spoke at a smoker afterwards, but they refused to permit them to speak at the convention.

Mr. TINCHER. They spoke at a smoker?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. And you think that unfair tactics were use to indorse the legislation?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. You were against the legislation as soon as you found out that the packers were for it?

Mr. MULLEN. Not for that reason. I have always been against any commission form of Government. I do not believe in it so far as private business is concerned. I think that it does away with efficiency. I think that it stops development and that it scares capital. It hurts our business.

Mr. TINCHER. What did Senator Kendrick say at that convention that you would object to?

Mr. MULLEN. It was not what he said, it was the rulings made by him, the interpretation of the by-laws of the association that we vote the association rather than vote the delegates present. That was not a fair expression before the convention. I really believe that the tactics he used there did not afford an opportunity for an expression of opinion of the delegates present from the States. We never voted as an association. I was there with 120 delegates and Texas was there with 440, and we were to vote by associations.

Mr. TINCHER. That is the way they have always voted?

Mr. MULLEN. No; we have always voted by delegations. I have attended the conventions of the National Association, and they have always voted, I understand—there were two that I did not attend—in that way, but they never voted by associations in my presence.

Mr. TINCHER. You think the fair way to vote is to let those present vote?

Mr. MULLEN. Yes; I thought that way. There were 12 from Arizona, and we should have had the privilege in that convention to express the sentiment of our State, on a new bill that had just come out at that convention.

Mr. TINCHER. I want to get your idea. You criticize the Senator. Let us see who is right. For instance, there would naturally be a larger attendance from your State at that convention than from Texas?

Mr. MULLEN. Not necessarily so. They would not have to travel much farther than we did.

Mr. TINCHER. Did you ever know of the Texas Cattlemen's Association adopting a resolution with as few votes as 56?

Mr. MULLEN. I did not understand you.

Mr. TINCHER. Did you ever know of a general meeting of the Texas Cattlemen's Association adopting a resolution with as few votes as 56 like your recent meeting in Arizona?

Mr. MULLEN. No; I am not familiar with the conventions in Texas?

Mr. TINCHER. Texas is a larger State than Arizona?

Mr. **Mullen**. Yes, sir; and probably has more stock men. It must have a larger association, because membership in their association is compulsory, as I understand it. That is, a man has no protection, if some one steals a cow, if he does not belong to the association; he can not get it back.

Mr. **Tincher**. You have been misinformed. The law applies to men in Texas who do not belong to the association.

Mr. **Mullen**. But the association gives him no protection.

Mr. **Tincher**. The association gives him no protection?

Mr. **Mullen**. Yes, sir. We have in our State inspections, everything is inspected by the State inspectors when shipped and so membership in our association is entirely voluntary.

Mr. **Tincher**. Your testimony is a revelation to me, because you are putting Senator Kendrick in a little different attitude from what I have ever heard him put in before?

Mr. **Mullen**. I am not trying to do him any injustice; I am telling you exactly how it was done, as I see it.

Mr. **Young**. You do not believe in any kind of governmental control for private business?

Mr. **Mullen**. Not any discretionary power; no, sir.

Mr. **Young**. Do you carry that viewpoint to the extent of favoring no control over the railroads?

Mr. **Mullen**. No. The railroad is a common carrier and I think is an entirely different proposition from trying to control by Government private business.

Mr. **Young**. Do you not think that the packing institutions of this country have reached such enormous proportions where they stand as the go-between not only between the hundreds of thousands of producers, but the millions of consumers; that is, they have reached the point, perhaps, where they are out of the category of the ordinary private business?

Mr. **Mullen**. I think that is the life of our Nation, the fact that those people are efficient people. I may say that if some people want to go into some business somewhere they have gone to the packers and the packers being friendly with them and friendly to the business that they were going into have made it possible for them to go into that business; they have backed them in a way. That is what enables us to keep going ahead all the time. It may be that I have an idea that I would like to go into some private business, I could go to them and raise capital to go into that business. If you keep up this agitation they will say, "We do not want to go into any further business," and I will cut down. I think that is dangerous to the development of the country.

Mr. **Young**. You think it would be a more healthy situation for the business interests of the country when practically all citizens must go to get help rather than to have an open field where the average American citizen can start up business on his own accord?

Mr. **Mullen**. I think the bigger the people are the less trouble you have.

Mr. **Young**. You think that?

Mr. **Mullen**. Yes, sir.

Mr. **Young**. You believe in the principles of the Harvester Trust and the Packer Trust?

Mr. **Mullen**. I do not think they have done anything for which they could be fined.

Mr. YOUNG. If you should go down to Texas and buy some of the hardware from this Harvester Trust you would find a different situation, absolutely.

Mr. MULLEN. That may be possible. I am not saying that there is not a company—but I have spent a good deal of my time examining the packer situation to the best of my ability, by reason of being president of the association and for the reason that I am largely interested myself. I am in the cattle business and every dollar I have is in it and every dollar that I get has to come out of the cattle business.

Mr. YOUNG. Of course, you appreciate that no committee of Congress is here for the purpose of destroying any legitimate business.

Mr. MULLEN. Yes.

Mr. YOUNG. There has been called to our attention certain abuses, certain things that we know, as individual citizens, not as Members of Congress, but as citizens, to have taken place.

Mr. MULLEN. We have in our association people who have taken the side that the packers should be controlled and when they come down to give the reason why the packers should be controlled, they think they have been hurt somewhere, the cattle was not watered right, and so on, and so it is all up to the packer, and they have got to have this regulation.

Mr. YOUNG. You have heard that complaint?

Mr. MULLEN. I think that man is asking too much of you gentlemen in Congress, that is, that you appoint practically a guardian, a commission, to protect him against some failure so that he may be able to attend to his own business. I know that I make mistakes. I do not lay that to the packers. I do not want any commission to help me; I should rather rely on my own resources.

Mr. YOUNG. Has not a man the right to come to the lawmaking body and say, "Here is a market made by the packers, they control banks, they have banks in their stockyards, and they refuse to extend credit. If you go there with a bunch of cattle, shipped to the commission men, you have not got a word to say as to what happens, you may be getting a cold deal, you have no way to know," do you think that it would hurt anybody or anything to have a commission so that when a man thinks that an injustice has been done he may get all the facts?

Mr. MULLEN. I do not think so. You have plenty of redress. If you think that you have been robbed by anyone there is always a way to protect yourself; I have always been able to protect myself.

Mr. TINCHER. The shipper has the same right as anybody else?

Mr. MULLEN. I suppose he has.

Mr. TINCHER. You think that would be very unfortunate?

Mr. MULLEN. I think that is very proper for you to consider. I think that is your duty, but I think you should be mighty careful.

Mr. TINCHER. We have to be careful because we are confronting that situation. We had a Mr. Lasater before the committee, and he told us that he had had cattle for years and years and told us what it cost him to produce them to a certain age. In fact, I think he had the most detailed information of any of the gentlemen who have come before us with information. This is the first information I have had that Mr. Lasater is not a stockman; we did not know.

Mr. **Mullen**. I am glad you correct me. They kicked him off the committee, and perhaps that is the reason——

Mr. **Tincher** (interposing). What committee?

Mr. **Mullen**. The marketing committee.

Mr. **Tincher**. He told us a pretty good reason for that.

Mr. **Mullen**. I never did find out why.

Mr. **Voigt**. Mr. Lasater resigned. He read the letter of resignation before this committee from the marketing committee. I do not think that it is fair to say that he was "kicked off."

Mr. **Mullen**. I would not say that he was kicked off either, only I know that they smothered his report at the meeting at Salt Lake City.

Mr. **Tincher**. Who did that?

Mr. **Mullen**. The chairman of the executive committee.

Mr. **Tincher**. I do not think that any stockman in the United States is more resourceful.

Mr. **Mullen**. I may be wrong.

Mr. **Tincher**. I think he is one of the largest producers in the United States and has the largest dairy interest of any man in the United States.

Mr. **Mullen**. That may be true.

Mr. **McLaughlin** of Nebraska. Before you pass, if nobody else has any further questions to ask, I want to see if I understood your statement correctly a few moments ago when you said that when the vote was taken there were 36 who opposed any legislation and 18 who were for it?

Mr. **Mullen**. Yes, sir.

Mr. **McLaughlin** of Nebraska. And that those who were in favor of the legislation were held there by their delegates to vote, and that those who were not in favor of the legislation did not hold their delegates?

Mr. **Mullen**. Yes, sir; that is what I said. Then at our next annual convention held in Tucson on the 17th, 18th, and 19th of February, last, we had practically the same thing up before the convention. They had said that they were going to change this. At the meeting in Tucson I had expected to retire as president that year, but they put up a man for president who had opposed my views on this matter all the way through, and it was put up to the house fairly and squarely as between him and me for president, and I got 73 votes and he got 26 votes.

Mr. **McLaughlin** of Nebraska. It has been rather singular to me during the hearings the last few days that we have heard so many witnesses come in and testify to their belief that in so many of the conventions that passed resolutions favoring some recommended legislation that there was not a fair vote and that if others could have expressed themselves it would have been different. We have had that statement made with reference to the Denver resolutions, that there was so much effort made on the part of those favoring legislation that those against it really did not have a chance. I have made some investigation of that and I have discovered that those opposing the legislation at the last moment gathered in all the commission men as members of the association and voted them, and that there was a desperate effort made to defeat the resolution which was favorable to the legislation. It looks to me as though this has developed as a part of the propaganda on the part of witnesses to defeat the resolutions passed by various associations.

Mr. MULLEN. I do not think ours could be. There was nobody who voted at any of our meetings except upon absolute principles.

Mr. TINCHER. It was a very small vote, less than 100.

Mr. MULLEN. I do not know. You take at a convention, perhaps we will have 400 or 500. Then there is something going on all the time, they are out and they are not present when the vote is taken. I think at a general convention—I know in our State—if 100 are voting it is a pretty big vote. We would hardly expect to have more than that on any one thing; that is, before the convention.

Mr. TINCHER. We had a convention of the Kansas Cattlemen's Association this year on January 29. They had a joint debate between Mr. Weld, of Swift & Co., and, I think, someone else representing the packers and those who favored legislation of this kind. They debated the matter fully. I just received this morning a printed copy of the speeches. They voted about 700 members, that is, 700 members stayed for the final vote. They adopted resolutions in regard to this regulatory legislation. Both sides were represented and it was a fair, open meeting. Nobody voted, it seems, whose vote can ultimately be questioned, but probably it will be by somebody.

Mr. ANDERSON. May I ask you a question?

Mr. MULLEN. Yes, sir; certainly.

Mr. ANDERSON. When was this specially called convention of the Arizona Cattlemen's Association held?

Mr. MULLEN. The one that followed the executive committee?

Mr. ANDERSON. Yes, sir.

Mr. MULLEN. November 10.

Mr. ANDERSON. November 10?

Mr. MULLEN. Yes, sir.

Mr. ANDERSON. At that meeting, I understand you to say, a resolution was passed in opposition to any legislation?

Mr. MULLEN. To the K-K bills or any like bills; that was the resolution.

Mr. ANDERSON. Since that time you have had your regular annual convention?

Mr. MULLEN. Yes, sir.

Mr. ANDERSON. In that annual convention some question was raised with reference to the packing industry?

Mr. MULLEN. There was a resolution which some members thought should be changed to two resolutions, one on the packer question and the other one was on the control of the public domain.

Mr. ANDERSON. Was any action had on either resolution?

Mr. MULLEN. The association voted to leave it absolutely to me to have a committee appointed that would draft those two resolutions separately. I have not had time to do that since our convention.

Mr. ANDERSON. What was to be the substance of the resolutions?

Mr. MULLEN. One was to be on the packer question and the other one on the public domain. I was to appoint the committee.

Mr. ANDERSON. Was this resolution on the packer question to be representative of your views or representative of the convention's views?

Mr. MULLEN. I take it it would be my views, and I am to appoint the committee.

Mr. Anderson. If I understand, that is a resolution adopted by you and not a resolution adopted by the Cattlemen's Association?

Mr. Mullen. No; I am going to appoint a committee, likely the executive committee, to pass on it. I am not going to take the liberty to pass the resolution myself, although the convention gave me that authority.

Mr. Anderson. As a matter of fact, the convention did not pass upon the question at all?

Mr. Mullen. At the last meeting they gave expression to the idea that they were against this agitation any further.

Mr. Anderson. Was there any resolution passed?

Mr. Mullen. There was not, for the reason that I stated, that there was an issue between myself and the other man that they ran against me at the convention.

Mr. Tincher. Were your views known to the convention?

Mr. Mullen. Yes, sir; I had stated my views.

Mr. Tincher. Before they left that matter to you?

Mr. Mullen. Yes, sir; they all knew them.

Mr. Young. Sometimes a person friendly will vote for a man in spite of his views.

Mr. Mullen. I think some, from other means, voted on the other side.

Mr. Anderson. My understanding is that that convention took no action whatever on the question of packer legislation and passed no resolution on the subject.

Mr. Mullen. I have made the statement that they did give a very strong instruction.

Mr. Anderson. You stated that they elected you president and you considered that as an instruction?

Mr. Mullen. That was the issue.

Mr. Anderson. The packer legislation?

Mr. Mullen. Yes, sir.

Mr. Anderson. I understood you to say that this marketing committee of the American National Live Stock Association adopted a report in which they indorsed the Sims bill to provide for taking over the packing plants?

Mr. Mullen. No; I did not.

Mr. Anderson. I understood you to say that the marketing committee of the National Live Stock Association adopted a report in which they indorsed the Sims bill?

Mr. Mullen. I did not say that they had a meeting and adopted the Sims bill, but the Sims bill was there for discussion, and I know that some of the members on the marketing committee favored the Sims bill.

Mr. Anderson. That is a very different thing. There were some Members of Congress who favored the Sims bill, but they are very hard to find now.

Mr. Mullen. The Sims bill, together with the other bills. There was some other bill, I have forgotten the name of it, which was discussed by the executive committee.

Mr. Anderson. You are not now asserting, I take it, that the marketing committee of the American National Live Stock Association indorsed the Sims bill?

Mr. Mullen. I am not; no, sir.

Mr. ANDERSON. You have State inspection of cattle when shipped, I understood you to say?

Mr. MULLEN. Yes, sir; from our State. We have a State inspection law.

Mr. ANDERSON. Who administers that law?

Mr. MULLEN. The State officials.

Mr. ANDERSON. What State officials?

Mr. MULLEN. What we call inspectors. We have what is called the Live Stock Sanitary Board, which board is backed up by law that allows them to appoint inspectors to inspect cattle shipped from each shipping point, everything that is shipped. They do not have to be shipped out of the State, either in or out of the State.

Mr. ANDERSON. Is this sanitary board appointed by the governor?

Mr. MULLEN. Yes, sir.

Mr. ANDERSON. And it has general supervision of the shipment and sanitary conditions with reference to live stock?

Mr. MULLEN. Not altogether sanitary, the inspection is more principally for protection.

Mr. ANDERSON. You think a commission or board is all right in that case?

Mr. MULLEN. I think the inspection system generally in our State is a very good thing; yes, sir. It keeps down the stealing of cattle and makes our credit a great deal better because a man's cattle running even out of the State can at all times have a record of the brands of the cattle shipped from the State.

Mr. ANDERSON. I was trying to find out how far you went in your opposition to commissions. I understand that here is one you think is all right?

Mr. MULLEN. Well, I do not think there is any relation between that and private business. This is protection to the cattlemen themselves. It is a system that is backed by law. We have never had but one governor who has not appointed men on the board whom we have recommended through our association.

Mr. ANDERSON. You are in favor of a commission if you get the kind of commission you can handle?

Mr. MULLEN. I am perfectly willing to have a commission if the commission is told exactly what they have to do, according to law. A commission like our sanitary commission in Arizona would not bother me a bit.

Mr. ANDERSON. Your idea about this commission is that it can do anything it pleases?

Mr. MULLEN. The danger of these bills, so far as introduced, is that they can do just about as they please.

Mr. ANDERSON. I gather from what you have said that you do not believe that Congress ought to authorize departmental heads or commissions to make general rules and regulations in conformity with law; that is what you are objecting to?

Mr. MULLEN. I did not catch that question.

Mr. ANDERSON. Are you objecting to the general practice which has been indulged in by Congress a great deal of late in authorizing departmental heads or commissions to make rules or regulations in accordance with the law?

Mr. MULLEN. I am. I think if it is continued almost everybody will be working for the Government.

Mr. ANDERSON. That is all.

Mr. TINCHER. You stated that you had been president of your association for 10 years?

Mr. MULLEN. Yes, sir; with the exception of two years in that time.

Mr. TINCHER. What attitude did you take toward the Borland resolution?

Mr. MULLEN. What is that?

Mr. TINCHER. What attitude did you take toward the Borland resolution which provided for the investigation by the Federal Trade Commission?

Mr. MULLEN. I did not take any action on it. Our association might have taken some action. If it did, I do not remember it.

Mr. TINCHER. You said that you had something up in your meeting about the public lands. You are in favor of turning the public lands over to the Forestry Service?

Mr. MULLEN. Under certain specific laws; yes, sir.

Mr. TINCHER. Are you using some of the public land now in the forest reserves?

Mr. MULLEN. Yes, sir.

Mr. TINCHER. That is all.

Mr. RAINEY. Have you finished your statement?

Mr. MULLEN. Yes, sir; I think I have covered everything.

Mr. RAINEY. How long have you been in the cattle business?

Mr. MULLEN. I have been in the cattle business all my life. I have been in it from the time that I was 12 years old, in Arizona, with my father for the first five or six years.

Mr. RAINEY. Do you operate on the public domain?

Mr. MULLEN. Yes, sir.

Mr. RAINEY. Do you own land yourself?

Mr. MULLEN. Yes, sir. We are, in Arizona, getting some kind of control of the ranges as fast as we can. The public domain is absolutely abused. It is in such a shape that you can not figure from one month to another or from one year to another what you can do on the public domain, because everybody uses it. You may make up your mind to keep your cattle there during the winter and maybe three or four hundred thousand sheep will be sent into your particular country on the public domain and there you have to stay, because it is too late for you to move them. When we became a State there were 11,000,000 acres given to us under the enabling act, and cattlemen have been able to lease a part of that. The State has made selections where they are sure of the live stock. We have leased a lot of State land from the State and have been able to buy some from the State.

Mr. RAINEY. How many acres do you operate, about?

Mr. MULLEN. I have leased from the State about two townships of land. I have leased from the forest reservation about two townships within the forest, nine sections that belong to me, which I was able to buy from the railroad and about, I should say, a township, maybe a little more, of the public domain.

Mr. RAINEY. How many acres would that be altogether?

Mr. MULLEN. I should say about 90,000 acres.

Mr. RAINEY. How many cattle do you handle a year?

Mr. MULLEN. We run about 15,000.

Mr. RAINEY. You ship to all markets?

Mr. MULLEN. No; I have done very little shipping to the markets. California uses most of our stuff, and that which does not go to California goes up to the Northwest; the buyers come down and buy it. We are too far from the markets.

Mr. YOUNG. You do not come in contact much with the packers?

Mr. MULLEN. No; I do not.

Mr. TINCHER. What are your brands?

Mr. MULLEN. We run four brands: V-Bar-X, Diamond-½, Bar-16, and S-H.

Mr. TINCHER. Some of the people in the Northwest may ship them down to Texas and call them Texas cattle?

Mr. MULLEN. Maybe they do; I do not know.

Mr. RAINEY. That is all.

The CHAIRMAN. We are grateful to you, Mr. Mullen.

Mr. MULLEN. I thank you very much, gentlemen.

Mr. TOMLINSON. I think you said that Mr. Heard was not a cattleman. He is interested in the cattle business, is he not?

Mr. MULLEN. Mr. Heard made the statement at Salt Lake City during our convention that he would donate $25, but he did not own a cow.

Mr. TOMLINSON. Does he not own a pure-bred herd in the valley?

Mr. MULLEN. Well, there is a pure-bred herd on his ranch. I think that Larson Lasson owns most of them. Mr. Heard may own an interest. Mr. Heard is in the real estate business. He does not know anything about the cattle business. If there are a few cattle from time to time on his ranch they are run by Larson Lasson.

Mr. TOMLINSON. Was he not at one time interested in some cattle with Mr. Johnson?

Mr. MULLEN. He was about three months, but he was obnoxious to Mr. Johnson, and so Johnson sold the outfit and got rid of him.

Mr. TOMLINSON. You believe that he is interested in a pure-bred herd to a limited extent?

Mr. MULLEN. He might be. I have his own word at Salt Lake City that he would donate $25, but that he did not own a cow.

Mr. TOMLINSON. A cow on the ranch, I suppose?

Mr. MULLEN. He said, "a cow"; I do not know what he meant.

Mr. TOMLINSON. Very few Arizona cattle are shipped direct to the market?

Mr. MULLEN. Very few. There has been more of that done in the last couple of years than in all the rest of our history. There is quite a good deal of feeding done now on ensilage and corn mostly.

Mr. TOMLINSON. The bulk of the cattle that are fed in the Salt River Valley are bought by the packers right in the field?

Mr. MULLEN. They have been until the last few years, when there has been a great deal more shipping done.

Mr. TINCHER. Where do they ship?

Mr. MULLEN. They generally ship to Kansas City. In fact, I think all of our shipping is to Kansas City.

Mr. MCLAUGHLIN of Michigan. Whom did you say they were bought by?

Mr. MULLEN. They are bought by representatives of the packers in Los Angeles principally. They come out to our ranches and buy them and ship them. There are also people in the Northwest who buy feeders. They come out to our ranches and look them over and buy them and ship them themselves.

Mr. MCLAUGHLIN of Michigan. That is all.

Mr. Rainey. Mr. Chairman, for the information of the committee, the witness who was expected and who would take up probably the whole day has arrived, but is ill at his hotel. He hopes to be here to-morrow morning. Anticipating he would take up the day, I arranged for no other witness, and I see but one alternative now and that is to adjourn until to-morrow morning at 10 o'clock.

Mr. Tincher. Who is that witness?

Mr. Rainey. Mr. Wilson.

The Chairman. How many witnesses have you?

Mr. Rainey. I can not answer that question, Mr. Chairman, because I know nothing of the witnesses until their names are given to me in the morning when they arrive here.

The Chairman. I believe we have already consumed about 90 hours.

Mr. Veeder. I will state, Mr. Chairman, as previously explained, that we got into a jam by not knowing that the time would be extended beyond the original 20 hours. This week a convention is being held in Texas and Mr. Weld, who was here, had been invited to address that convention and had to be there this week. Mr. Weld will be back here Monday morning. We have witnesses that are coming and that will be here to-morrow, Friday, and also Monday. Parties that have written in or wired and asked for a hearing are now being told that they should not come on; that the hearings will be closed. We are not urging people to come, but are urging them not to come where they write and state that they desire to come. I do not think that there will be any more here after Tuesday and Wednesday of next week.

The Chairman. And then Mr. Weld after that?

Mr. Veeder. No; there will be some after Mr. Weld is heard, who will probably take up the time until Wednesday of next week.

The Chairman. Mr. Weld will return about Wednesday?

Mr. Veeder. Mr. Weld will be here the first thing Monday morning, ready to go on; the first thing Monday morning.

Mr. Tincher. Is Mr. Weld to be heard again?

Mr. Veeder. Yes, sir; it will not take him long; it will depend upon your inquisitiveness.

Mr. Tincher. Is Mr. Brooks going to be heard? I know him very well.

Mr. Veeder. Mr. Brooks is not in the cattle-raising business. He is employed by Swift & Co. He is not in the operating department. He is in much the same position that I am, and is not employed in the operating department. There have been some of the side issues that I have been able to throw a little light on.

The Chairman. Are we to understand that you intend to consume the time between now and next Wednesday?

Mr. Veeder. Yes, sir.

The Chairman. You expect to conclude about Wednesday?

Mr. Veeder. Yes, sir. I am basing that upon the time that the witnesses would take. How much beyond that is dependent upon you gentlemen.

The Chairman. The committee will now recess.

(Thereupon the committee adjourned to meet to-morrow, Thursday, March 18, 1919, at 10 o'clock a. m.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

THURSDAY, MARCH 18, 1920

PART 20

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

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COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Thursday, March 18, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Are you ready to proceed, Mr. Rainey?

Mr. RAINEY. Yes, sir.

The CHAIRMAN. You may proceed, Mr. Rainey.

Mr. RAINEY. I will call on Dr. Wilson.

STATEMENT OF DR. J. M. WILSON, PRESIDENT WYOMING WOOL GROWERS' ASSOCIATION, MEMBER EXECUTIVE COMMITTEE OF THE NATIONAL WOOL GROWERS' ASSOCIATION, AND MEMBER OF THE EXECUTIVE COMMITTEE OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, M'KINLEY, WYO.

Mr. RAINEY. You may proceed, Dr. Wilson.

Dr. WILSON. I thank you.

Mr. RAINEY. Doctor, would you prefer to make your statement without interruptions or will it be agreeable to submit to questions as you progress?

Dr. WILSON. I just as soon that you ask questions, except when I come on to the Spokane meeting I should like to complete that as near as I can, but if it is necessary to ask the questions it will be all right.

Mr. RAINEY. The committee has ruled if you desire to proceed with your general statement you may, or if you invite interruptions they may ask questions when they feel so inclined.

Dr. WILSON. Yes, sir; all right.

I represent the Wyoming Wool Growers' Association. I have been president for several years. I am also a member of the executive committee of the National Wool Growers' Association and a member of the executive committee of the American National Live Stock Association. I have been acting president of the National Wool Growers' Association or was president, rather, for three years. I am engaged in the live-stock business.

I want to say, and I do not say this with any intention of asking any clemency or any extra courtesy, that I have been sick with ptomaine poisoning and under the care of a doctor and trained nurse for the last 15 days and am still suffering. I am stating this so that if in the course of the examination at any time I do not feel right I will take the liberty to state that to the committee and ask to be relieved for a little while. I do not believe that it will be necessary.

I have asked Senator Kendrick to be present at this meeting. I do not know your rules and regulations, except as Mr. Rainey has stated them, in regard to interruptions, but if Senator Kendrick honors us with his presence I should like for him to have the opportunity to ask any questions at any time while I am on the stand. I merely mention this so that if the Senator comes in while I am proceeding, I should like for him to have that courtesy, to ask any questions that he sees fit.

The reason I am here more than any other reason is because of the resolution passed by the Wyoming Wool Growers' Association last year. You may ask why they did not adopt a resolution this year and I will answer with this, that the resolution last year was the first resolution passed by any association in reference to these bills. At the time of that resolution we expected next year a change. There were several bills, the Kendrick bill, I think it was. This resolution had reference to the Sims bill as that was the only bill that we knew anything of. We had just received a copy of that at the convention. That resolution was this:

> Whereas the unanimous sentiment of the wool growers of Wyoming is opposed to Government management or ownership of the railroads: Therefore be it
>
> *Resolved*, That we request our Representatives in Congress to use their influence in securing the return of the management of the railroads to their owners.

This was passed on January 11, 1919.

> Further, be it
>
> *Resolved*, That we request our Representatives in Congress to oppose all legislation proposing governmental control or ownership of marketing facilities of live stock and meet products.

I want to say that I have stood on that resolution. Since that time up to the present there has been no change in the association. This year they felt that the matter had been closed to a great extent by the agreement of the Attorney General and the packers' representatives. Consequently, there was no resolution passed this year.

Mr. TINCHER. When did the association meet this year?

Dr. WILSON. In January, about the 15th, 16th, and 17th. I think those were the dates, at Cheyenne.

Mr. TINCHER. You say that you thought it had been settled between the Attorney General and the packers?

Dr. WILSON. That was the idea in the convention and that is why no resolution was passed. We felt that to pass a resolution at that time would simply add more excitement and more trouble and it was not necessary, because we were on record and there was no Kendrick-Kenyon bill at the time, at least it was not published yet at the time this resolution was passed.

Mr. TINCHER. There was not any agreement that I know anything about had between the packers and the Attorney General in January.

Dr. WILSON. We certainly had that notice. I do not know when it was. We had that notice in Cheyenne.

Mr. VEEDER. It had been publicly announced the latter part of December by the Attorney General.

Mr. TINCHER. How was that—publicly announced that there would be an agreement?

Mr. VEEDER. That there was an agreement. The decree was not entered until February.

Mr. TINCHER. The Attorney General announced it?

Mr. VEEDER. The stipulation was agreed to and in the latter part of December the Attorney General made an announcement to that effect.

Mr. TINCHER. I know that the decree was not filed in Washington until along in February.

Dr. WILSON. The decree was much later.

Mr. LIGHTFOOT. The negotiations were started the first part of October.

Mr. TINCHER. The Committee here did not have the benefit of the Attorney General's announcement?

Mr. LIGHTFOOT. Yes; it was publicly announced.

Dr. WILSON. I want to read from the Congressional Record of February 27th, 1920, page 3787:

> Mr. PHIPPS. I send to the desk a telegram from citizens interested in stock raising in the State of Colorado, which I desire to have read and referred to the Committee on Agriculture and Forestry.
>
> There being no objection, the telegram was read, and referred to the Committee on Agriculture and Forestry, as follows:
>
> DENVER, COLO., *February 24, 1920.*
>
> Hon. L. C. PHIPPS,
> *Senate, Washington.*

Mr. TINCHER. That telegram is in the record.

Dr. WILSON. I beg your pardon.

Mr. TINCHER. It has been inserted, but proceed.

Dr. WILSON. It is necessary to explain what Senator Kendrick did afterwards. Without this knowledge the record would not be complete at all.

This is the telegram:

> We learn the new Kendrick-Kenyon bill is before the Senate and Senator Kendrick pushing strong the passage of this bill. We attended the American National Live Stock Association convention at Spokane during January of this year and the principal subject under discussion there was packer legislation. Senator Kendrick publicly stated his future action at Washington would be governed largely by the action of the convention. The resolution calling for "prompt Federal legislation" was defeated and it was clearly the sense of the convention that no further agitation of the question be had until the Palmer agreement be given a fair trial. We returned to our people with this news. Again we learn the agitation is up and causing cattle feeders and producers untold losses. Twenty-five to fifty dollars per head on cattle. Use your efforts to stop this bureau legislation and let our industry return to a sound and fair basis, thereby encouraging production. We know that further agitation of this question will drive many people out of the live stock business and we seriously protest against this bill with its bureau registration rules and regulations.

That was signed by cattle and sheep producers of Colorado, Ben Kemper, W. A. Snyder, A. G. Prey, Mark Beetham, Charles Clayton, Frank Wherren, and John O. Hall.

In the Congressional Record for the same date, on page 3788, appears this:

> Mr. KENDRICK. Mr. President, during my absence from the Chamber this morning the Senator from Colorado (Mr. Phipps) had read into the Record a telegram referring to certain legislation in which I have been interested during the past few months. The message was so wide of the facts and conveys so erroneous an impression, not only of what transpired at the recent convention of the American National Live Stock Association with respect to proposed legislation for the regulation of the live-stock industry, but also of the general attitude of live-stock producers throughout the country, that I wish to ask to have inserted in the Record several resolutions that have directly to do with this question.
>
> I want to say, Mr. President, that I have received innumerable telegrams recommending the enactment of a measure similar to that which was recently reported by the Senate Committee on Agriculture, but I am in entire accord with those who are opposed to encumbering the Record with such communications and therefore I have hitherto withheld them. The substance of the telegram which was read this morning and ordered to be printed in the Record is so entirely unwarranted by the facts, as I shall hope to show in a minute's discussion, that I venture to depart from my practice in this instance.

At least two of the men who signed the telegram presented by the Senator from Colorado (Mr. Phipps) are lifelong friends of mine. They attended the convention of the American National Live Stock Association at Spokane, to which they refer in their message, and they have been usually so reliable that I was at a loss to understand why they should make these assertions until I was reminded of a rumor that was current among the stockmen at the convention that "booze" was being brought from Canada by airship. I did not give the report any credence at that time, but my worst suspicions are now confirmed.

It was my privilege, as president of the convention, to preside over it, to appoint the committee on resolutions, to listen to the reading of the resolutions, and to bring away a copy of them with me. I am not going to ask the Senate, therefore, to take my word with regard to what happened at Spokane. I shall be content to invite attention to the official text of the resolutions adopted by the convention indorsing legislation. The telegram which was presented to the Senate this morning in substance declares that a resolution calling for prompt Federal legislation was defeated by the stockmen assembled at Spokane, and that it was clearly the sense of the convention that no further agitation of the question should be had. The statement is altogether at variance with the facts. Far from opposing the enactment of legislation, the convention went on record in clear and unmistakable language in favor of legislation. If the Senator from Massachusetts will permit, I shall take the liberty of reading this resolution.

As I will take up the resolution later, I do not suppose that it is necessary to read it here, or shall I read it in the record here at this point. I intend to take it up later.

Mr. ANDERSON. They have all been read, but I have no objection to reading them into the record again.

Dr. WILSON. I will refer to that when I come to that part of the resolutions.

All I want to say now in regard to the Senator's statement there is that I am very sorry that the Senator saw fit to accuse the members of the association that he has worked a great part of his life with as being under the influence of liquor. I regret that very much. The association has been very kind to Senator Kendrick. It has elected him president twice by unanimous vote. Why he should have felt called upon to insinuate that the members, and particularly two of his lifelong friends, were under the influence of liquor when anything was done at that convention, I can not understand.

Mr. TINCHER. He intimates there that that was the charitable view to take of their statement.

Dr. WILSON. Well, if that is a charitable view to take of members of an association with whom you have worked all your life, that they had to be drunk to do work, I am willing to let it go at that.

Mr. TINCHER. His intimation is that if it had not been for the airship or some other unexplained reason they would have confined their statements to the facts.

Dr. WILSON. This telegram was not sent for several days, or a couple of weeks, I guess, after the convention, so they had an opportunity then, at least, to sober up, because they went back to Denver, where there was not any.

Mr. WILSON. As a matter of fact, are you qualified to state whether or not they were under the influence of liquor?

Dr. WILSON. I understand this, that you could get liquor there, but you had to wait until the banks opened.

Mr. MCLAUGHLIN of Nebraska. You mean that liquor was at the banks?

Dr. WILSON. I do not mean anything; I do not know, but I do not think that Senator Kendrick would have made that statement if he had thought twice; it simply slipped out of him when he was not thinking.

Mr. TINCHER. I should like to know whether the telegram was true or not, the committee is interested in that?

Dr. WILSON. I will go into that later.

I know one thing, there was absolutely no liquor in the resolutions committee and that there was no member of the resolutions committee at any time, either during the preparation of the resolutions or when on the floor of the house, for we were only about one-half a day on the floor, that was under the influence of liquor at any time.

Mr. WILSON. I think that is a proper statement.

The CHAIRMAN. The gentleman may proceed in his own way.

Dr. WILSON. There is nothing further on the liquor proposition?

Mr. ANDERSON. I do not think it is at all important as far as the question of this legislation is concerned.

Mr. TINCHER. If there was any liquor there, there is no chance now.

Mr. ANDERSON. No; it is gone.

Mr. TINCHER. Yes; it is gone.

Mr. HULINGS. The fellows seem to like to talk about it.

Dr. WILSON. I will take up the Spokane meeting and try to give you as clear an idea as I can of this particular resolution. The other resolutions were not discussed much; they were simply adopted; there was no controversy over those.

If you will remember, in his reply Senator Kendrick said that he appointed the committee on resolutions, which he did. That is generally the plan there. But prior to the appointment of the committee on resolutions the association always has an executive committee meeting. In the executive committee they go over matters pertairing to the business of the past year and what new business is to be brought before the convention. A great deal of work is done in the executive committee. In the executive committee on the first day we met, one day prior to the meeting of the convention, we spent that day in the discussion of various propositions of what was best to do in the executive committee. Senator Kendrick was there, and he gave a synopsis of the bill, the new bill, not the old K. and K. bill, but the new bill. They were sure that the K. and K. bills, with the license clause, could not be passed; there was so much opposition that it could not be passed. First one and then another had to talk, and the Senator finally asked me some questions. He said, "Doctor, you do not understand the bill. It means so and so. This bill is going to be changed. This is only the beginning of it, the first copy; it will be changed some, and when it is changed it will be satisfactory."

Mr. ANDERSON. What bill were you talking about then?

Dr. WILSON. Senator Kendrick in the executive committee——

Mr. ANDERSON (interposing). What bill were you talking about?

Dr. WILSON. The new bill.

Mr. ANDERSON. What do you mean by the "new bill," the one that the Senate committee reported?

Dr. WILSON. Yes.

Mr. RAINEY. The Gronna report?

Dr. WILSON. Yes, sir.

Mr. TINCHER. You do not mean that you had that bill at the Spokane meeting, a copy of it?

Dr. WILSON. I think we did.

Mr. TINCHER. It had not been agreed upon at that time.

Dr. WILSON. We had a copy of the bill there.

Mr. TINCHER. Was that not the Kendrick bill?

Dr. WILSON. No; I think it was the new bill.

Mr. TOMLINSON. I think I can help you on that. Was it not a copy of the bill as redrafted by Senators Kenyon and Kendrick and presented to the Agricultural Committee?

Dr. WILSON. It came from the Agricultural Committee in the Senate.

Mr. TOMLINSON. It had been submitted to the committee?

Dr. WILSON. Yes, sir; it had not been reported.

Mr. RAINEY. That evidently is the bill reported out and known as the Gronna report.

Mr. ANDERSON. The bill which they had out there, as I understand it, was a tentative draft of the bill presented by Senators Kenyon and Kendrick to the Agricultural Committee, which was eventually introduced and reported by Senator Gronna with some amendments.

Dr. WILSON. I have an idea that is correct. I know that we had a copy of the bill there.

Mr. ANDERSON. If I remember, the bill at that time was not in regular bill form, but it was a mimeographed copy.

Dr. WILSON. I think so.

Mr. ANDERSON. That is it?

Dr. WILSON. That was the bill that we were talking about there. I asked Senator Kendrick: "Do I understand that this commission is simply a grievance committee?" and he said, "Practically." I said, "If that is the condition, we are ready to 'talk turkey' to you, and we can agree on that." That was in the executive committee. We talked it over some more. I forget just what the conversation was, but my understanding was then that this report and this commission was more a commission of grievance, and if that had been the condition we could have agreed in a very few minutes without any trouble at all, which I will show you later on.

The executive committee the next morning—this was the first day—the next morning when we met the Senator announced the committee on resolutions. I forget who was on that committee, but my recollection is there were 17 members on the resolutions committee, all of whom were selected by the chairman or the president of the association, Senator Kendrick. The association took no hand or made no selections in the resolutions committee.

That is the general rule of the association, although there is not anything in the constitution, I think, that says how the resolutions committee shall be selected. There is as to who shall select the executive committee and the other committees, but not the resolutions committee. In the other national association, the National Wool Growers' Association, each State selects its member of the resolutions committee and also of the executive committee. The chairman or secretary has nothing whatever to do in the selection of the executive committee or the resolutions committee.

The resolutions committee as selected went to work that day, met and discussed general ideas as to what we were going to do. The convention commenced that day, but there were scarcely any of the members of the resolutions committee on the floor of the house until the afternoon of the third day. They were there part of the time, some of them, but the great mass of the members of the resolutions committee were in the room where the resolutions committee was working at that time.

Of course, we got reports, and we know it is so, that there was a debate on the floor as to how the credentials committee should be appointed. Some of them claimed that the members present in the convention should by their votes control the convention. It was contended by others that the absent members that belonged to the different associations, if there was a proxy, that they could vote, the entire association.

The constitution and by-laws of the American National Live Stock Association, Article III, provides:

> There shall be two classes of membership in this association, namely: One class, the individual membership of persons, firms, and companies engaged in producing or maturing live stock; and the other class, the association membership of live-stock organizations or associations, official or otherwise, composed of those who are eligible to individual membership. No proxies shall be allowed, and members and delegates, in order to vote, must be present.

Mr. ANDERSON. May I ask why are you reading that; are you trying to discredit Senator Kendrick or are you trying to show that this convention did not do what it apparently did on the face of things?

Dr. WILSON. I am trying to show this, the organization of the convention, how the organization is handled.

Mr. ANDERSON. What has that to do with the question as to whether there should be legislation?

Dr. WILSON. It has this to do: There are a lot of resolutions being presented on each side and if it can be shown that there can be a control by one association or another, it certainly will have some effect on the members of this committee.

Mr. TINCHER. Before you leave the subject of delegates——

Dr. WILSON (interposing). I am leading up to that now; I am going to come to it in a moment; that is the other part of it.

> The representation of association members shall be upon the following basis: The minimum annual payment for each association shall be $50, which shall entitle it to five delegates.

There is the first time the word "delegate" appears outside of when there shall not be proxies. Five delegates, that is the minimum.

> Each association shall, however, be allowed as many more delegates (over the minimum) as they may wish to select, upon the payment of $10 annually for each additional delegate, and
>
> No proxies shall be allowed, and members and delegates, in order to vote, must be present.

After we had gotten into the resolutions committee the ordinary course was pursued and subcommittees were appointed to take up certain points. There was a subcommittee appointed to look after the K-K bills, as they were called, or the packer legislation. The members of that subcommittee, as I remember, were Mr. Heard, of Arizona; Mr. Irvin, of Cheyenne; Mr. Baer, of Colorado; Mr. Jastro, of California; and myself. Wyoming had two members on that subcommittee. The subcommittee was four of them in favor of the K-K bills and one of them was not. It was a proposition in which there were four for the bills and one against them.

Mr. Heard is interested in cattle, but mostly in real estate in Arizona. Mr. Irvin is interested in live stock, and was also Senator

Kendrick's campaign manager, although a Republican. Mr. Baer is a ranchman, and cattle grower in Colorado, and Mr. Jastro probably controls as much interest in live stock as any other individual man in the country. That was the subcommittee appointed to prepare the so-called packer bill. They had gone over a lot of resolutions—by the way, there was one thing that may explain something. I see that the gentleman is here. Mr. Dillingham was asked if he would serve on the resolutions committee, and he said that he would be glad to. Mr. Dillingham is here himself. He is the secretary of the Idaho Horse and Cattle Growers' Association. He never was appointed. He had gotten up in the executive committee and made a very strong statement in regard to his opposition to these K–K bills. We worked in the committee, giving a little, taking a little. We worked the first night until after midnight. We worked all day the next dayt—hat was the second day of the convention—and we worked until nearly noon the third day. At about 10 o'clock or 10.30 o'clock we decided to go to the house, that we could not agree, and present the two resolutions. On the first day we were a long ways apart, but we got a little here and gave a little there, and we changed the resolution, and the final resolution, or before the final resolution. The first resolution was:

Whereas the American National Live Stock Association is definitely committed to the establishment of an open, competitive system of production, manufacture, and distribution of live stock and its products; and

Whereas the principles for which the association, through its market committee and otherwise, have contended for years have now been generally accepted as just and reasonable to the public and in the interest of the national welfare; and

Whereas prompt Federal legislation embodying these principles will tend to allay the existing industrial unrest: Therefore be it

Resolved, That we affirm our belief in the necessity for Federal legislation regulating the packers, stockyards, and commission men, and we urge Congress promptly to enact legislation, to the end that industrial peace may be early restored to the livestock industry, public confidence reestablished, and distribution guaranteed on a fair and economical basis.

Mr. TINCHER. That resolution was adopted?

Dr. WILSON. It was not. That was offered as the resolution. Gentlemen, I am trying to give you the way in which the resolution was adopted—not this resolution, but another resolution. The first resolution that I put in—I guess I was the only one who was in favor of it——

Mr. ANDERSON (interposing). That is, in the subcommittee?

Dr. WILSON. Yes, sir.

Whereas the constant agitation against the packers has had the effect to depreciate the value of live stock and to unsettle the live-stock markets of the country, to the detriment of the producer and no benefit to the consumer: Therefore be it

Resolved, That the American National Live Stock Association protest against this constant agitation and protest against the enactment of the so-called "K. & K." bills, or any similar bills.

To make a long story short, we worked and they got a little and I would get a little and we finally came to this, their last resolution—remember, this was the first one they put in and there were intermediates all along, and we came to this:

Whereas it is necessary that confidence should be established——

Mr. TINCHER (interposing). All of this time you were battling with the other four men?

Dr. **Wilson**. Yes, sir. Let me correct that. I was battling with the other four men, all pretty big heavy men, and on the second day sometime they did not believe it was fair for four big men to sit on one and they gave me another man to help me; they selected him. He was all right; he was just as big as anyone. After that we got along very nicely; as a matter of course, we did not agree.

This is the final resolution they had. I will cut out all except the statements, because the preamble of the resolutions up to January 19, 1920, are the same in both. It will save time. Here is what they submitted, and when I say "they" I mean those in favor of the K.-K. bills:

> That we recommend the prompt enactment of legislation by Congress providing governmental regulation of packing houses, stockyards, and commission men, and believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of any arbitrary power.

The last one of ours—I will cut out the whereas, and so on—both were exactly alike in that, was as follows:

> That whenever regulation is found necessary it shall be by legislative enactment, in terms so plain that there can be no misunderstanding, and not by grant by Congress of any arbitrary or discretionary power to bureaus or officials.

At about 10 o'clock, I think, on the third day, we had come to the conclusion that we could not get any nearer, that it was useless, and we then went to the floor of the house, and the agreement there was that the resolutions prior to this, that there was no controversy over, should be read and passed and that these two resolutions should then be introduced and discussed and action taken. I will say this, that when this resolution came to the floor of the house I thought I was in the minority, because I supposed that four to one was a minority, but when it came to have the resolution signed our resolution was signed by five members, and I understand the other was signed by five members, and that 7 out of the 17 members would not sign either one of them.

Mr. **Anderson**. You are now speaking of the whole resolutions committee?

Dr. **Wilson**. Yes, sir; certainly.

Mr. **Anderson**. And not the subcommittee?

Dr. **Wilson**. No; this was the report of the whole resolutions committee of 17. There were a few members absent. Five of them signed one report and my understanding is that five signed the other report, and seven did not sign either report. Some went away that night. Only 10 members signed the reports.

Mr. **Anderson**. May I ask you why the other seven men failed to sign the report; was it because they were not present, or because they did not want to sign it?

Dr. **Wilson**. They were all present except two; that is my recollection. I would not say absolutely. It was taken to the floor of the house. Before it was taken to the floor of the house I was being besieged all the time by some parties that we must come together; that we were so close together that it would be a shame to take any chance of disrupting the association on such a small matter. Mr. Modisett, of Nebraska, came to me on the evening of the second day and said, "Dr. Wilson, I have a resolution that I wrote. I want you to look at it." I looked at it. He said, "Will that be satisfactory to you?" I said. "Yes. I will use my influence to get our people"—

I was reporting back to six States—"I will use my influence to have our people accept it." He said, "I will go to Senator Kendrick." He went and saw him, and he said, "That is satisfactory to the Senator." I said, "All right." So we went then and took the resolution and changed the phraseology a little until this is the way that resolution read.

Mr. ANDERSON. When you say "we," whom do you mean?

Dr. WILSON. Mr. Modisett and myself; we were the only two. This is entirely outside of the committee. Mr. Modisett, by the way, was a member of the general committee on resolutions, but not of the subcommittee. He may have been a member of a subcommittee on some other subject, but not on this one.

That resolution read:

> *Resolved by the American National Live Stock Association in convention assembled at Spokane, Wash., January 27-29, 1920,* That we accept in good faith the decree entered into by Attorney General Palmer and the packers—

They say that the decree was not entered at that time, but we knew in Spokane that it was to be—

> and will only now ask for legislation providing for a board of three to be appointed by the President, by and with the consent of the Senate, to see that said decree is carried out in good faith by all concerned and to hear and adjust all grievances arising between the grower, the packer, and the consumer of live stock products; said board of three to be empowered by suitable national legislation to fairly investigate and adjust all grievances between the parties in controversy.

This was done in the evening after the convention had adjourned. They had a smoker that night. Mr. Modisett had his first original resolution in writing, and after we had agreed on what should be done, what changes should be made, he had it typewritten, and he came and called me out of the smoker—everything was in the one hotel, you did not have to go outside for anything—and he said, "Senator Kendrick sent for me and said that he could not accept that." He had not seen this, he had only seen the letter writing, but it was exactly the same, with the exception of a little change in phraseology.

Mr. TINCHER. You spoke of taking two resolutions to the floor of the house?

Dr. WILSON. I am coming to that now. I brought this in, because the Modisett resolution came in before those were taken to the house.

Mr. ANDERSON. Do I understand that Senator Kendrick originally agreed to accept the one resolution and subsequently sent word that he could not do it?

Dr. WILSON. Yes; he said that he could not. My information is not from Senator Kendrick, it is from Mr. Modisett. The two resolutions were taken on the floor of the convention, and, as I was telling you, just before that, they were to be read separately from the other resolutions.

Mr. ANDERSON. I take it you got over to the next day and you were taking up the two resolutions which the resolutions committee had reported?

Dr. WILSON. Yes, sir. As it happened, they were twin reports.

Mr. RAINEY. Did you complete your statement regarding Mr. Modisett's attempt to compromise?

Dr. WILSON. Yes, sir; that simply ended it. There was nothing more to it.

We had an agreement with the chairman that the resolutions should be read about which there was no controversy, and that the resolutions in controversy should not be read until the others were passed. They were read, the secretary or chairman of the committee on resolutions was reading them, and he went on to read the resolutions that the agreement was not to read. I called the attention of the chairman to it and he said, "Withdraw that; that was the agreement, that they should not be read until the others were out of the way." Then, the secretary read this; that is, he read the first resolution—that is, in favor of the legislation. I asked him to read the other resolution, and he said that he had himself told us that he had mislaid it; that was the original resolution that had the five signatures on it. I have never seen it since. I happened to have a copy in my pocket; I took it out——

Mr. TINCHER (interposing). Who was the secretary?

Dr. WILSON. The chairman was Mr. O'Donel, of Bell Ranch, N. Mex. After they were presented we were allowed time then to talk and to show which one was the better, or what we thought was the better. Just before I left, Mr. Tomlinson, the secretary, sent me a copy of my remarks. This is the stenographic report. I got it the night before I left. It has not been corrected; it is just exactly as sent to me by Mr. Tomlinson. I want to read it, because it will help to explain some of those things.

Mr. TINCHER. Before you do that, which resolution was adopted?

Dr. WILSON. I am coming to that a little later. Right now I want to give you the history right straight through.

Mr. MCLAUGHLIN of Nebraska. I think it is significant that Nebraska was trying to promote and bring about peace; Nebraska, you will find, always is on the right road.

Mr. TINCHER. If both resolutions were talked to death by unlimited debate it might be well for the committee to know that at this time?

Dr. WILSON. They were and they were not; they were withdrawn, but that comes in later.

The reason that I am reading is that it is corroborative more than anything else:

> Mr. Chairman, ladies and gentlemen, I was very glad that Mr. Burke read his statement this morning, saying that there was no personal animus intended in anything done by the market committee.

Mr. ANDERSON. Whose statement is this?

Dr. WILSON. My statement, but this is Mr. Burke. I think that Mr. Burke meant not the association, but the market committee. If you will recall, he made a statement of that:

> In other words, like Shakespeare, love the offender, but detest the offense. I want to say further, that your resolutions committee has worked hard and faithfully and that there was no personality there whatever, and that there is absolutely no personality in any resolution prepared by that committee. We have kept clear of that. And I want to say further that stockmen, first, are American citizens, and stand for 100 per cent Americanism. They stand for and they want American laws passed by an American Congress and signed and carried out by an American President without any help whatever from any foreign nation on earth. We want it all Americanism. And then after that we are stockmen, and while we may disagree on principles, that disagreement is not carried into personalities. And I trust I may never live to see the day that stockmen can not candidly and honestly discuss principles without feeling that they are making enemies; because, when that day comes, the stockman, as described by your president, has passed off the stage.

I want to give a little history of this resolution. While the resolution is a minority report, it is signed by five members of the committee and we believe it was best. As a matter of course you know that the information that the members of the resolutions committee got of this meeting and what was going on in it necessarily had to be taken from the papers as we were unable to be here, and taking it from the papers we had understood there was a packed convention. And we could only drop in occasionally, and we couldn't see how well it was packed nor how the packing was done—whether it was done so it was perceptible or whether it was done adroitly and covered up. Now, there was nothing of that kind in the resolutions committee. I was put on a subcommittee with five members, four of them absolutely unanimous and one absolutely unanimous, and at the end of two days we still stood unanimous. I will say that there was one of the five that showed a tendency to become human—a little tendency to softening, a little tendency to think that it was hardly fair for four big, powerful men to sit upon one. So that in their kindness of heart the second day they took pity on me and gave me another one so that he could bear at least part of the burden. And he bore it very manfully. At first there were considerable differences——

President **Kendrick**. Was that other member unanimous also?

Dr. **Wilson**. Absolutely. It was, the chair will permit me to say, an impossible position to get very much good out of. And to show you the condition, the chairman of the subcommittee, in reporting it to the general committee, said it was the combined wisdom of the heads connected—and I objected. I didn't want—first, I only had one head, and I didn't want it made plural. It was the combined wisdom, if he had said, of the four heads, it would have been all right. We went on, and gradually kept getting a little closer; we worked a little harder, a little more, and we finally came to the parting of the ways. I was reporting to a committee from five or six States, and, as I told the chairman of the subcommittee—

That was Mr. Heard—

if he could only get the people from his State agreeable that I didn't think there would be any trouble with the five because I could agree, but as the members from his State were very persistent and very positive when we had to give too much we would report back and I never saw any signs of relenting on their part. I believe I have stated to this association before that I believe when there is anything to do in the association that it ought to be done from the inside and that instead of losing your temper and getting out of the association you should try to reform it from the inside.

I am cutting out the applause and all of that sort of stuff.

Mr. **Tincher**. We say that they are neutral in a congressional hearing.

Dr. **Wilson** (reading):

But, gentlemen, to do that, I would like to have some reformatory material—

There was "laughter" there.

and the material given me there was absolutely beyond reform.

Now, I will try to, in as brief a way as I can, go over this resolution and to show you or tell you why I believe it should be adopted and I believe that candidly.

President **Kendrick**. Pardon the Chair just a moment, Doctor. The Chair is anxious to extend to everyone the right to be heard to the fullest, but the Chair asks your indulgence in the request that you make it as brief as you can so that others may be heard.

Mr. D. B. **Heard**. I would suggest that there might be some definite time given for debate and an equal amount allowed to each side. Does Dr. Wilson yield to this suggestion?

Dr. **Wilson**. I yield to him on his own time, not on mine.

President **Kendrick**. You may proceed, Dr. Wilson.

Dr. **Wilson**. Now, I will say that we had agreed down to the words, "this 29th day of January, 1920"; up to that point, Mr. Chairman and gentlemen of the convention, there is no controversy. Now, I will read the substitute resolution as we had it and then will read their agreement: "That, whenever regulation is found necessary, it shall be by legislative enactment, in terms so plain that there can be no misunderstanding, and not by grant of Congress of any arbitrary or discretionary power to bureaus or officials." In other words, whatever regulation is necessary shall be by law expressly stated and not by rules or regulations. Now, the resolutions are exactly the same up to the "29th day of January," then theirs reads in this way: "That we recommend the prompt enactment of legislation by Congress providing governmental regulation of packing houses, stockyards, and commission men, and we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding, or the exercise of any arbitrary power."

Gentlemen, I will say that is the final resolution after we had got everything, that was the final resolution that the minority agreed to. I supposed that they were going to introduce the same, but instead of introducing the one that represented the last agreement they introduced the very first one they put in. They did not put in any of the agreements that we had arrived at during the three days' discussion.

Now, gentlemen, the difference in those two is simply this, and the difference is basic: In one we believe in giving every opportunity to the Attorney General of the United States (which we did not know he had expressed to the President until you told us a few moments ago).

In explanation I will say that that is where I got the idea that this bill had been prepared. He read a message from the Attorney General of the United States. I forget just the wording of the message, but it was in substance to let us have a chance to see what we can do; we have not entered this decree, but it will be entered.

Mr. Rainey. Who read that?

Dr. Wilson. Senator Kendrick. It was sent to Senator Kendrick by the Attorney General.

Mr. Anderson. A telegram?

Dr. Wilson. Yes, sir; it is in the record of the association.

Mr. Anderson. I am not questioning that, but was it a telegram or a newspaper article?

Dr. Wilson. No; a telegram from the Attorney General.

Mr. Anderson. To Senator Kendrick as president of the association?

Dr. Wilson. Yes, sir; and the Senator read it.

Every opportunity to carry out this decree in good faith—

I used the word "decree" there because I did not know whether the decree had been entered; I knew it had been talked of—

in good faith on the part of all the parties entering into it, and not commence by legislation to hamper it in the beginning. Now, those are the two vital differences. Now, gentlemen, it amounts to this, practically: We have had a constant agitation. Whether it has been beneficial to the live-stock interests or not it is not necessary for anybody to say. You all have your own ideas and own knowledge on that. I will admit that they have changed considerably the bill, and I think if you had let your chairman and—

I am going on with the chairman we had there, and Senator Kendrick is listening to it—

and myself alone in the executive committee the other day that we could have worked out a plan that would have been entirely satisfactory.

There was "applause" there.

I know we were on that plan, and with the statements made by the chairman as to what the bill meant and the changes they expected to make in it—

There I am talking to Senator Kendrick—

I know it could be made entirely satisfactory. They have changed the license system to a commission system. It reminds me of a case that occurred in Philadelphia when I was attending lectures there. One of the noted surgeons of Philadelphia was noted for his skinniness; he had a little skin on his bones and that was about all. A little newspaper boy came into the outer office one day and tried to sell the student working there a newspaper, and not being able to dispose of his wares he became a little noisy. They had in that office, as all doctors used to have, a skeleton and the skeleton was on hinges and springs, and to get rid of the little merchant, he opened the door and the skeleton came jumping out. The boy gave one yell, dropped his papers, and flew to the other side of the street. The old doctor, hearing the noise, came along and wanted to know what the trouble was; they told him.

You gentlemen who have been in Philadelphia know that some of the streets are very narrow and you can talk across them very easily.

He came to the door and motioned for the little boy to come back. The little fellow looked at him and shook his head. He said, "Come and get your papers, son." The boy replied, "Hell! You can't fool me, if you have got your clothes on."

There was laughter and applause there.

Now, it is the same way, gentlemen, with this bill. You can see the ugly skeleton of the K. and K. bill sticking out, even if they put another suit of clothes on it—the commission suit. Now, what we object to, gentlemen, is—and I am personally interested in this, and I can hardly discuss it without some personal feeling—is to keep business away from bureaus. As was said so aptly by your President in executive committee the other day: "Railroads were not built for the business that was in the country at the time, but they were built for the possible business that might be developed there;" and that when you stop that you destroy the grandest thing that America has—you destroy the thing that has done more to make America the Nation she is to-day, and that is personal initiative. And if that is true of railroads, it is equally true in any other line of business.

I am talking now, not the Senator.

Now, we have had this agitation, gentlemen, for the last three or four years. We all have heard of it and it has produced great results. Now the results are here; there is no intention in the law, there is no intention in this decree, as I understand it, to take these away from the people before two years. The stockyards and other interests have got that long to remain under present conditions. Now, is it the part of wisdom to go on agitating, or is it the part of wisdom to give this decree a chance? The Attorney General sent the message to you to-day to give it a chance to work and see what it will do. And I believe it is the part of wisdom, and I believe this association should, by indorsing this minority report, say to the world, "We are ready now to see the result of what has been done by the Attorney General and the packers."

There was "applause" there.

Now, I am coming to the report of the resolution. As I said, there was considerable talk of trying to compromise and fix the thing up, get along the best way we could so as not to do anything to hurt or injure the association. On the last day of the convention, about noon, I met Senator Kendrick in the lobby of the hotel and he asked me if I was willing to talk over the resolution, and I said, "Certainly, I shall be glad to," and we went and sat at a table in the hall. We took the last resolution, not the resolution they introduced, but the last resolution, including everything that they were willing to give, and they had given a whole lot.

Mr. ANDERSON. Please read that resolution, the one that you are talking about.

Dr. WILSON. Certainly.

Whereas it is necessary that confidence should be established in the operation of marketing agencies, that competition may be developed, that an improved understanding may be created between producer, packer, and consumer, and distribution of meat and meat products guaranteed on a fair and economical basis and along practical lines, so as to cause the least disturbance of existing conditions: Therefore, be it

Resolved, By the American National Live Stock Association, in annual convention assembled in the city of Spokane, this 28th day of January, 1920, that we recommend the prompt enactment of legislation by Congress providing governmental regulation of packing houses, stockyards, and commission men, and believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of any arbitrary power.

Mr. **Anderson**. This is what the fellows in favor of the legislation wanted.

Dr. **Wilson**. Yes, but this was the original. What I read first was the original resolution.

Mr. **Anderson**. This was what they finally came to?

Dr. **Wilson**. What they finally came to, but I have introduced this to show the steps in the matter. They introduced the first one they had agreed to in the subcommittee.

There is a notation here—this was not done by the committee—it is in the handwriting of Senator Kendrick, himself, and that is this—he scratched out the word "prompt." He said, "If you object to that, we will take that out," and then he made this addition:

> And we recommend further—

Carrying out the first resolution, with the exception of the word "prompt" removed—that is, "prompt" enactment of the legislation—

> And we recommend further that the supervision of these market agencies, as provided for under such legislation, shall be made as much a matter of law as possible——

Mr. **Anderson**. Was that his own suggestion, or was that suggested by you, or by somebody else?

Dr. **Wilson**. There was not anybody else but Senator Kendrick; he sat and wrote it. You will notice there is a memorandum on the end of the resolution.

Mr. **Anderson**. Did Senator Kendrick do that at the suggestion of somebody, or was it voluntary?

Dr. **Wilson**. I do not know that I could tell that. I objected to "prompt enactment of legislation." He said, "Then, we will take that out," and he scratched out the word "prompt."

Mr. **Anderson**. Is that all that you objected to in that resolution?

Dr. **Wilson**. Was that all?

Mr. **Anderson**. Yes.

Dr. **Wilson**. Why, no; I objected to any of this bureau business. I objected to that all the time, and have.

Mr. **Anderson**. It would seem rather reasonable to suppose and to infer that this subsequent addition in Senator Kendrick's handwriting was written in order to meet the objection which you had.

Dr. **Wilson**. Yes, it was written in order to put——

Mr. **Anderson** (interposing). I say, in order to meet the objection which you had in regard to bureaucratic control.

Dr. **Wilson**. It was written to try and see if we could not work out an agreement so that we would bring in a resolution that we should all agree to.

Mr. **Anderson**. But he was willing to accept that language that he wrote on here?

Dr. **Wilson**. Yes, he would not have written it if he had not been willing to accept it. This is the handwriting of Senator Kendrick:

> And we recommend further that the supervision of these market agencies, as provided under such legislation, be made as much a matter of law as possible, and subject to the least possible disturbance and interference with existing business conditions.

I will say that while the Senator and I were discussing this that there was constant effort made to have the Senator come to the convention. It was past the time for the meeting of the convention, which was being held just upstairs to one side from where we were sitting, and the Senator said, "Just let them call and have the convention told we are going to try and fix this so that you can make an agreed report." This was during the noon hour. After the convention was called to order, we went in and asked the men I had been working with to come out, and I showed this to them—the addition of the Senator's—and ex-Governor Ammons had not then been on the committee on resolutions, and when I read that part that it was to be made "a matter of law as much as possible," Governor Ammons went up into the air and he wanted the whole law, and not "as much as possible."

I do not know whether I made the motion for that or not, but the motion was made anyhow from the floor. Everything was kind of confusion at that moment, and nothing was very clear right then—not from the effect of the air ships—and finally somehow, it came out of that that Mr. Heard and myself, he being chairman of the subcommittee, should make one other effort and go back and see if we could not come to an agreement. It was suggested that nobody be taken on that except the two who represented what had been done, that is, no other representative of the resolutions committee, or that no one who had anything to do with the resolutions should be of that other party.

They took the chairman of the resolutions committee, and I took Governor Ammons, who had not been with the resolutions committee; and we went in and worked back and forward and changed it a little here and a little there, and finally all came to an agreement; and that is the resolution that was adopted. I will read part of the record when I come to that in order to show just how it came about, and that resolution is this—I will not read the first part of it, because it is just exactly the same as the so-called minority resolution.

Mr. ANDERSON. I would suggest that you read it all, Dr. Wilson, so that we may know what the whereases were.

Dr. WILSON (reading):

> Whereas it is necessary that confidence should be established in the operation of marketing agencies, in order that competition may be developed, that an improved understanding may be created between producer, packer and consumer, and that distribution of meat and meat products may be guaranteed on a fair and economical basis and along practical lines, so as to cause the least disturbance of existing conditions: Therefore be it
>
> *Resolved*, By the American National Live Stock Association in annual convention assembled in the city of Spokane, Washington, this 29th day of January, 1920, that we recommend the enactment of legislation by Congress providing governmental regulation of all marketing—

And I want you to notice, gentlemen, that the word "prompt" is not in there—

> manufacturing, and distributing agencies in handling live stock and its products; and we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding, or the exercise of any arbitrary power; and further recommend that the supervision of such market agencies provided for by the proposed legislation be made a matter of law—

Not "as much as possible" but "a matter of law"—

> so as to occasion the least possible disturbance or interference with existing business conditions.

Mr. WILSON. And that is the resolution as it was passed?

Dr. WILSON. What is the resolution that was passed.

Mr. WILSON. Unanimously.?

Dr. **Wilson**. Absolutely.

Mr. **Wilson**. You agreed to that?

Dr. **Wilson**. Absolutely.

Mr. **Young**. What do you suggest for us to do to meet the requirement of that resolution?

Dr. **Wilson**. I beg your pardon.

Mr. **Young**. What do you suggest to Congress to do to meet the requirements of that resolution?

Dr. **Wilson**. This bill does not do it, I will say that.

Mr. **Young**. We would like to get your suggestion as to just what kind of a bill you want.

Dr. **Wilson**. Just before going to that, I would like to finish up this resolution, to show just what was done with it and how it was done. Mr. Heard had made a talk on the resolution—he read the resolution, and I made a talk for the other side. What I had said on that was [Reading:]

> Mr. President, the men who prevented war are greater than the men who win a war [applause] because there is no trial of death or destruction in their wake. As Mr. Heard told a story, I don't know but what I feel a little bit like telling one, too. I think I feel a little in the position of the colored boy who went out with three white boys possum hunting, and they got three possums. When they got back to town there was a division made of the possums, and the three white boys took the three possums. Someone asked the little darkey what he got. "Well," he said, "you see we were in cahoots, and I think I got the cahoots." [Laughter and applause.]
>
> So I don't know but that I am in somewhat the same boat. I got the cahoots, but if the cahoots are good enough I just as leave have them as the possum. I want to say right here and now without any bouquets or anything else, this committee worked and worked hard and quit, and tried again and quit, and tried again, and I was wondering whether the artist here was inspired when he decorated the hall with those mules which are noted as animals of perversity and contrariness; I see two here, one here—in fact, there is a majority of mules—[laughter and applause] and I was wondering whether that artist was inspired or not; but I want to say right now as to the final outcome of this, while it is not exactly, probably, what anybody wanted, there is more credit due to your presiding officer than to any other agency. [Applause.] He came to me to-day and asked if I wanted to talk over the matter, and I said certainly. We talked it over, and while we were talking they were constantly hurrying us for the convention meeting. He said, "Let the convention meet; we will get the outline started." And that outline and that few moments' talk paved the way for the final agreement, so if there are any bouquets or anything of that kind I want you to pass them to Senator Kendrick. I want to read a part of it; I will skip that part which is in the old resolution which we offered to-day both in the majority and minority reports; we had agreed up to the 28th day of January, so we didn't have to agree on that; that went. "We recommended the enactment of legislation by Congress providing governmental regulation of all marketing, manufacturing, and distributing agencies engaged in handling live stock and its products."

Mr. **Tincher**. That would include the packers, would it not?

Dr. **Wilson**. Oh, yes. [Reading.]

> Now, that certainly includes everything it is possible to bring in; handling, manufacturing, and distributing.

Then I come to the part of the resolution again. [Reading.]

> And we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding, or the exercise of any arbitrary power. What we are trying to do there, gentlemen, was to get away from these rules and regulations that men could make one day and change another. And further recommend that supervision of such market agencies provided for by the proposed legislation be made a matter of law, so as to occasion the least possible disturbance or interference with existing business conditions.

If you will notice the closing of that, the last section or two is almost identical with Senator Kendrick's suggestion.

Now, gentlemen, we are for the law, and we are for a law so explicit and so carefully worded that there can be no possible misunderstanding. Because, if this agitation keeps up, it means harm and disaster to every individual stock grower in the country, and I think it is up to us now that we have gotten together (even if I have only the cahoots), and let's get right to work and try and heal up all this disturbance that has existed between us and those who should be our friends. There is nothing won in this world by constant, continual fight and agitation. The result of these constant charges and this irritation bandied back and forth has led people to come to the conclusion that meat products are too dear and they are refusing to eat them. The very latest figures from the Government, I think some time in October, show that the consumption of meat has decreased from a surplus of 7 pounds prior to the war to a surplus now of over 30 pounds per capita. I figure that 30 pounds per capita will take about 6,000,000 head of beef, cleaning somewhere near 500 pounds apiece. In other words, we have got to increase the consumption of meat so as to consume 6,000,000 head more. Now let's all come together and heal the breach, and I move you, Mr. President, that the majority and minority report, so-called, be withdrawn on this resolution, and that this be made the resolution of the convention.

Mr. **Heard**. I second the motion.

President **Kendrick**. You have heard the motion, gentlemen. Any remarks?

[Cries of "Question!" "Question!"]

All in favor of the motion as proposed by Dr. Wilson signify the same by saying "aye," those opposed "no."

Motion unanimously carried. [Applause.]

President **Kendrick**. The chair is constrained to say at this time that undoubtedly those pictures of the donkeys were drawn and placed here under the inspiration of the reports as to what this convention was going to do—the advance reports. The chair feels confident, after the work of this convention is completed in the same and rational manner of English-speaking nations that the artist would draw a different picture, quite as appropriate for this convention hall.

The chair will now announce the membership of the market committee for the coming year.

Mr. L. E. **Dillingham**. I would like to open up the question of contributions for this association again. A good many men were waiting for the report of this committee before they would contribute. I am a small man in Idaho, but I want to contribute $50.

(Thereupon a number of contributions followed.)

Mr. **Tincher**. Right there, this telegram says that—

> The resolution calling for prompt Federal legislation was defeated and it is clearly the sense of the convention that no further agitation of the question be had until the Palmer agreement be given a fair trial.

That telegram is false, is it not?

Dr. **Wilson**. No.

Mr. **Tincher**. How could you say that when you adopted a resolution and spoke for it yourself and moved its adoption, calling for Federal legislation?

Dr. **Wilson**. Not prompt.

Mr. **Tincher**. Whether it is "prompt" or not, you knew you would not get "prompt legislation"?

Dr. **Wilson**. Suppose they would not commence the legislation at once?

Mr. **Tincher**. Can an outfit that passed a resolution by omitting the word "prompt" say that therefore there was not any resolution adopted, but that it was defeated?

Dr. **Wilson**. It depends upon what you mean by "defeated."

Mr. **Tincher**. I mean voted down.

Dr. **Wilson**. It was withdrawn.

Mr. **Tincher**. It was not "defeated"?

Dr. **Wilson**. Technically it was not, but the effect—I beg your pardon—was exactly the same as a defeat.

Mr. **Tincher**. These men in sending a telegram to the American Congress and having it inserted in the Congressional Record had no right to try to mislead the Congress by saying "'Prompt Federal legislation' was defeated." If they had a right to hang on the fact that the word "prompt" was cut out of the resolution, do you not think it was going a little strong for them to say it was "defeated," and that Senator Kendrick might well rise in his wrath when he was confronted by that kind of a telegram in the Congressional Record?

Dr. **Wilson.** I had nothing to do about the telegram.

Mr. **Tincher.** You are justifying the telegram as against Senator Kendrick's position on it?

Dr. **Wilson.** Yes.

Mr. **Tincher** (reading):

> Senator Kendrick publicly stated his situation at Washington would be governed largely by the action of the convention.

We have had witnesses here who attended that meeting, and one in particular, Mr. O'Donel, who says that that statement in the telegram is false.

Dr. **Wilson.** I do not believe it is correct—that is my recollection of it.

Mr. **Tincher.** You have not quoted any part of the record where he said he would be governed by your action?

Dr. **Wilson.** Oh, no.

Mr. **Tincher.** Do you mean to say to this committee that the fact that you left the word "prompt" out of that resolution in which you indorsed national regulatory legislation for the packers, to be sufficiently significant to warrant men in telegraphing the American Congress that they attended the convention and that they defeated the "resolution calling for 'prompt Federal legislation' "?

Dr. **Wilson.** I think if that word "prompt" had been taken out it would not have been necessary for Senator Kendrick and I to have had any conversation or worked on the resolution at all. I believe we would have agreed to it.

Mr. **Tincher.** Do you mean that it gives that resolution that you have just read there an altogether different meaning to take out the word "prompt," or to include the word "prompt"?

Dr. **Wilson.** I think it does; that is my own opinion now.

Mr. **Tincher.** You indorse legislation?

Dr. **Wilson.** Absolutely.

Mr. **Tincher.** If you write me a letter and you say "Congressman, I want you to vote for a certain bill" or "I want you to advocate the regulation of a certain industry," and because you leave the word "prompt" out of it it gives your letter an entirely different meaning?

Dr. **Wilson.** I do not know your name.

Mr. **Tincher.** My name is Tincher, of Kansas.

Dr. **Wilson.** The proposition would be entirely different. Senator Kendrick was there; he was the proponent of this bill. He had charge of this bill, and if Senator Kendrick had not pushed the bill, the bill would have lain quiescent until he did push it. That is not at all comparable to the situation where I might write to you for legislation.

Mr. **Tincher.** I think that Congress and the Senate might resent that. While we do not want to detract anything from the record of Senator Kendrick in the matter of legislation, there are Members of Congress and Senators who would resent the idea that legislation was made to order as soon as Senator Kendrick pushed it.

Dr. WILSON. I did not say "legislation." I said "this particular legislation."

Mr. TINCHER. I will say to you, candidly, that you could find a good many men who disagree with you.

Dr. WILSON. Ordinarily, I believe that in Congress if the man who has charge of the legislation does not push it it is not very apt to be passed.

Mr. TINCHER. There is some conflict about who has charge of this legislation, since Senator Kendrick has a bill; also Senator Kenyon and Senator Gronna; and Mr. Anderson has a bill. I do not think you would want to say that this legislation would lie dormant because of your convention leaving out the word "prompt?"

Dr. WILSON. It would have laid dormant for a while, I presume, because you have a lot more matters of more importance for the present.

Mr. TINCHER. What have we before us that you consider more important?

Dr. WILSON. I do not know. You have got rid of the railroad proposition.

Mr. TINCHER. Have we anything more before us of greater importance than the proposition for the regulation of the packing industry, since the producers of the meat industry are right now up against the proposition that they can not go any further and that the production of meat is liable to fall off?

Dr. WILSON. We are producing too much meat now.

Mr. TINCHER. We are producing too much?

Dr. WILSON. Absolutely.

Mr. TINCHER. Your recommendation would be to stop production?

Dr. WILSON. Oh, no. We want some outlet found for that which is now produced.

Mr. TINCHER. You want packer legislation, but you do not want it "promptly"?

Dr. WILSON. Oh, no; that is not it.

Mr. TINCHER. You voted for that resolution?

Dr. WILSON. Certainly, I voted for that resolution. But do you know that in conventions lots of times you have to give more than you want to, when you are working for certain results.

Mr. TINCHER. I think I do understand now. What was it you took?

Dr. WILSON. I took the "cahoots."

Mr. TINCHER. But you fixed it so, by leaving out the word "prompt" that the commission men at Denver could wire the American Congress and use that word "prompt" and turn the "cahoots" into the carcass?

Dr. WILSON. I do not know but what we got part of the "carcass," too. But we only got the "cahoots" there at that time.

Mr. TINCHER. I think the committee are pretty well informed on the Spokane convention.

Dr. WILSON. I was there just as well as Mr. O'Donel and my recollection is just as good as his these two talks, and better probably, because they were made on the floor.

Mr. TINCHER. I do not know that Mr. O'Donel has differed from a word you have said, except that he said that Senator Kendrick did not say what you have attributed to him.

Dr. WILSON. That is my impression that he did say that.

Mr. TINCHER. But you do not say that you heard him say anything like that. Do you want to say that you heard Senator Kendrick say that out there?

Dr. WILSON. That is the only way I could get the impression.

Mr. WILSON. Say what?

Mr. TINCHER. That he would be guided.

Dr. WILSON. I do not want to say that he said that he would be completely guided, but to a great extent he would be guided by the action of the convention.

Mr. TINCHER. Naturally he would say that.

Mr. MCLAUGHLIN of Nebraska. Were the entire proceedings of your convention taken down the same as your part of it?

Mr. WILSON. No; not the proceedings of the executive committee.

Mr. MCLAUGHLIN of Nebraska. Was Senator Kendrick supposed to have made that statement in the executive committee?

Dr. WILSON. I think he made it the first day in the committee.

Mr. TINCHER. These fellows would not have heard it if he had made it in the executive committee?

Dr. WILSON. No; the telegram was read on the floor. I think it came through during the convention.

Mr. TINCHER. I mean this telegram put in the record over there to show that Senator Kendrick was misrepresenting the statement he made at the convention.

Dr. WILSON. Some of those men I think were on the executive committee.

Mr. TINCHER. Which one of these men was on the executive committee—Kemper, Snyder, Prey, Beetham, Clayton, Wherren, and Ball?

Dr. WILSON. Mr. Tomlinson can remember; I do not know?

Mr. TOMLINSON. None of them.

Mr. TINCHER. They are not very great men in the cattle world, are they?

Dr. WILSON. One of them is one of the largest cattle operators in the United States.

Mr. TINCHER. You mean dealer in the stockyards at Denver, do you not?

Dr. WILSON. No; he has large holdings outside of Denver—Mr. Blayney.

Mr. TINCHER. He is not named on here?

Dr. WILSON. I mean Mr. Clayton.

Mr. TINCHER. Clayton is a big cattle man in buying and dealing in cattle?

Dr. WILSON. He has ranches and carries on a large business in cattle.

Mr. MULLEN. Snyder also.

Mr. FINCHER. They were not on any resolutions committee or on the executive committee, were they?

Dr. WILSON. They were on no resolution committee, but I think some of them were on the executive committee.

Mr. RAINEY. I wish to say, Dr. Wilson, that your explanation of the convention at Spokane has been more illuminating to this committee than that of any other gentleman we have listened to so far.

Dr. WILSON. I was on this resolutions committee all the time. If you ask me what occurred on the floor up until the last day, after the noon hour, and probably an hour after the noon hour, after the convention convened, I can not tell you anything except from the report, because I do not know. I was not there.

Mr. McLaughlin of Nebraska. Well, then, according to the record Senator Kendrick did not make any such statement on the floor of the convention and whatever statement he may have made must have been during the first day's session of the executive committee or resolutions committee?

Dr. Wilson. No; the executive committee.

Mr. McLaughlin of Nebraska. The executive committee, and it must have been reported to these Denver men by somebody who was there.

Dr. Wilson. Now, remember, I do not know what statements he made on the floor, because I was not there, except the last afternoon. I think it took us an hour, or maybe an hour and a half to frame up this compromise resolution, and I was not on the floor except after that time.

Mr. McLaughlin of Nebraska. If he had made any such statements on the floor that would be a matter of record, would it not?

Dr. Wilson. Absolutely.

Mr. Anderson. Let me get this thing clear. Maybe I am a little more dumb than some of the rest of these gentlemen. But do I understand that what you are trying to do here is to show that in the bill which the Senate committee reported Senator Kendrick did not succeed in having the object of this resolution carried out?

Dr. Wilson. It was not carried out; it was withdrawn on my motion.

Mr. Anderson. I say, are you contending that in the bill which the Senate committee reported Senator Kendrick did not carry out his statement that he would be guided by the action of the convention?

Dr. Wilson. In what respect?

Mr. Anderson. Well, in any respect.

Dr. Wilson. I do not believe that I understand you. I do not believe I catch your question.

Mr. Anderson. I am trying to find out what you are trying to demonstrate by what you have said about this convention. Are you trying to show that Senator Kendrick did not keep the faith; that he did not do what he said he would do out at the convention?

Dr. Wilson. I am trying to say this, that the impression I got from the words of Senator Kendrick and what he had said was that there would be no immediate action on his part. Now, if that is finding fault with him, or if that is wrong, it is my own statement and my own belief, and I was there all the time.

Mr. Anderson. You are asserting that the elimination of this word "prompt" from this resolution was understood by you to be a tacit agreement on Senator Kendrick's part that he would not press the legislation?

Dr. Wilson. He said he would be guided largely by the actions of this convention—his actions in Congress.

Mr. Anderson. I am asking you a straight question and I would like a straight answer. Did you understand then or do you understand now that Senator Kendrick's agreement to eliminate the word "prompt" from this resolution was an agreement on his part or intended as an agreement on his part not to press this legislation?

Dr. WILSON. At present—I do.

Mr. ANDERSON. I do not think you are justified in that conclusion.

Dr. WILSON. That is my own conclusion. If I am not right, why——

Mr. ANDERSON (interposing). I understand you moved the adoption of this resolution?

Dr. WILSON. I did.

Mr. ANDERSON. In moving its adoption, you were not in favor of it?

Dr. WILSON. Why, no; I am not. I have said that in my talk, that I did not suppose it was what anybody wanted, but it was the best we could get.

Mr. ANDERSON. You expected that this convention was going to pass some sort of a resolution?

Dr. WILSON. Absolutely.

Mr. ANDERSON. In favor of the legislation?

Dr. WILSON. No; I was not sure of that. I knew they could do so if they would take a vote of absent members. If they had voted the men in the convention, they certainly could not.

Mr. ANDERSON. If you did not anticipate that any resolution in favor of the legislation would be passed, then your interest in this matter ceased?

Dr. WILSON. To a great extent; yes. There would have been no trouble.

Mr. ANDERSON. Consequently, your efforts in the resolutions committee and in the subcommittee of the resolutions committee was to make this resolution just as mild as you could? If there was going to be any resolution indorsing any sort of legislation, you wanted it to be just as mild as you could possibly have it?

Dr. WILSON. We were opposed to the legislation unless it was shown that they were violating the law and were doing these wrong acts they had been accused of doing, and if that was shown then we wanted the regulation to be by law and not by bureau.

Mr. ANDERSON. I want to get this thing straight now. I would like to get a straight answer from you, if I can.

Dr. WILSON. I may be dense and not able to comprehend your questions right, but I am doing the best I can.

Mr. ANDERSON. What I want to know is whether you were in favor of this resolution or not?

Dr. WILSON. I was not.

Mr. ANDERSON. And you are not in favor of it now?

Dr. WILSON. I am not.

Mr. ANDERSON. But you did present it and you did vote for it in the convention?

Dr. WILSON. Absolutely, as the best we could get out of the convention.

Mr. ANDERSON. Then, so far as you are concerned, this resolution is camouflage?

Dr. WILSON. I beg your pardon; it is not. I expect to try to live up to it and do what I can as nearly as a member of the association can do.

Mr. MULLEN. Did you not do this for the sake of saving the convention?

Dr. WILSON. I did this for the purpose of preventing the smashing of the convention. There were several States ready to withdraw.

Mr. **Borders**. Do you mean the "convention" or the organization?

Dr. **Wilson**. I mean the organization.

Mr. **Anderson**. I am not trying to impute any wrong motives to you in the matter at all.

Dr. **Wilson**. I understand that, and whenever I can catch the full import of your questions I am willing to answer them.

Mr. **Rainey**. Doctor, you do not wish to be misunderstood as stating that you are against legislation if the packers are found guilty of violation of law?

Dr. **Wilson**. I want the regulations, but I want them only provided the packers are found to have violated the law.

Mr. **Rainey**. You are against bureaus or license?

Dr. **Wilson**. Absolutely, from beginning to end.

Mr. **Anderson**. Does that mean, Doctor, that you want straight prohibition, with the enforcement of the law left to the prosecution in the courts?

Dr. **Wilson**. I believe there is one of the points here that I brought out, which was this: That this commission should be appointed to see that the court's decree was carried out, and that that would be the authority and power of this commission to do that, to create the agency to look after this matter, not leave it to the courts entirely. It should be their duty to prepare the case and get it ready for the court. That was my idea.

Mr. **Anderson**. Is it your idea that there shall be a commission of some sort?

Dr. **Wilson**. Yes, sir.

Mr. **Anderson**. And that this commission shall be clothed with some authority to determine whether or not there are violations of the law?

Dr. **Wilson**. Yes, sir; I am for that.

Mr. **Anderson**. Or violations of any decree which the court has entered?

Dr. **Wilson**. Both law and decree, any violations of either the law or the decree.

Mr. **Anderson**. If the commission finds there is violation of the law, your idea is that that commission should proceed with some sort of prosecution in the courts?

Dr. **Wilson**. Absolutely, if they violated the law or violated the decree.

Mr. **Rainey**. But, Doctor, your objection is to giving this commission any discretionary power where they could pass on or adjudicate matters; you would have them investigate and then prepare the case for the courts?

Dr. **Wilson**. My idea is this, if you will permit me: That if I think I have been wronged by the packers in any shape or form, or in the stockyards or of the agencies, that I make my complaint to this commission. They will hear that complaint, and if they believe there is enough in the complaint to investigate that they will go on and investigate it and if, upon investigation, they find out that I have been wronged and that there has been a violation of the law or a violation of the decree, then, in that event, they will recommend prosecution of the guilty parties.

I do not know whether I make that plain or not, but that is my idea.

Mr. **Voigt**. Your proposed commission would be simply an investigating committee?

Dr. WILSON. We called attention to it when we were talking to Senator Kendrick and called it a "grievance committee." I believe there ought to be something of that kind, and if these men are violating the law, instead of making this matter one of constant agitation, that they should be prosecuted.

Right while we are on that point, there was a gentleman, a lawyer, who made a speech to the executive committee after the convention had adjourned. I do not remember his name, but he was some attorney, and he went on to state that the California Fruit Growers Association, or their marketing association, whatever it was called, had a firm of lawyers employed, and that that agency, I believe, it will be admitted everywhere, is one of the best marketing agencies probably in the United States; and this firm of lawyers they had employed to examine the various laws to see if there was a law that would fit their case, and the statement that he made was, I think, that up to date they had found all the law that was necessary, and they had not asked Congress for any regulatory laws or anything of that kind.

I do not remember the gentleman's name, though I talked with him the next day, but he was an attorney, and he gave the name of attorneys in San Francisco, I think it was, who had charge of this matter, and their work was simply looking up and finding if there were laws now on the statute books that would fit their case.

Mr. VOIGT. This organization that you are speaking of is a private affair; it is an organization of shippers?

Dr. WILSON. An organization of shippers to sell their products.

Mr. VOIGT. That sort of an organization would not fit the case of the packers very well.

Dr. WILSON. Well, the packers are a private concern; its plants are owned by stockholders.

Mr. VOIGT. On the contrary, theirs is simply an organization of producers who are looking out for their own interests. The question here is to look out for the interests of the whole public, including the consumers.

Dr. WILSON. Certainly; you have got to commence with the producer.

Mr. VOIGT. You are willing to have some sort of a board or commission appointed?

Dr. WILSON. I am; yes.

Mr. VOIGT. But you believe that that commission should simply have the investigating powers?

Dr. WILSON. And turn the facts over to the court, when they found on their investigation that they had violated any law or court decree.

Mr. VOIGT. You are not in favor of giving this commission power to make any regulations or rules or anything of the kind.

Dr. WILSON. I want this Congress to make that.

Mr. VOIGT. You would not be in favor of giving this commission power to make any rules or findings subject to an appeal to a court?

Dr. WILSON. If I understand that question, I am not in favor of letting them make laws under the guise of regulations or rules.

Mr. ANDERSON. Suppose this commission finds that a grievance which has been submitted to it for investigation is well founded. You would not be in favor of permitting the commission to issue an order requiring them to desist from the practice subject to court review?

Dr. **Wilson.** If they have violated the law, yes; but if they have violated the law, they know what the law is and they do not know what a regulation is; and if they have violated the law, I think, absolutely, they ought to be prosecuted right there and then.

Mr. **Voigt.** Do you think that it would be possible for any human being to write a law which would take care of every contingency that might arise in the packing business?

Dr. **Wilson.** I think it would be possible to write a law that would correct any of these abuses complained of.

Mr. **Voigt.** Well, let us assume now that the packers are in an agreement to purchase the live stock of the country on a given percentage; that is, that they have agreed impliedly, or expressly to each by a given percentage of the live stock that is handled in interstate commerce? What sort of a law would you write to break up that kind of an agreement?

Dr. **Wilson.** I am not a lawyer and I would not know how to write a law, but I would certainly find a way to stop that by putting in the law that that was prohibited—dividing territory or anything of that kind, by having something in the law that would prohibit that. Then if they did something contrary to the law as prescribed, you have got the law for it.

Mr. **Wilson.** Have we not a law on the statute books now that would break up that kind of a combination?

Mr. **Voigt.** Yes; there is a law that would break up that kind of a combination, and I am of the opinion that that law is ineffective to break up that kind of a combination, which I think in fact exists.

Dr. **Wilson.** If you will allow me to make a suggestion, gentlemen: You are having the wrong class of witnesses appear here, and I include myself in that. The witnesses you want to get, for instance, in respect of the packers, there is some trouble with the hides and about the packers fixing the prices of hides. Why not have their hide man come here?

Mr. **Anderson.** We will hear him, if they will bring him.

Dr. **Wilson.** They are the kind of men you want to hear. Bring the hide man here and ask him what is done with these hides and how the hide business is carried on. I know, in a general way, about the hide business, having heard probably about as much about it as the average man; but the hide man knows as much in five minutes as any of the witnesses who have appeared here have heard in a lifetime or would know if they would study it a week.

The **Chairman.** It is for the packers to determine what witnesses they will present here. They are at perfect liberty to produce their own witnesses.

Mr. **Lightfoot.** We stand ready to bring from our organization any witness that this committee would like to hear on any subject in relation to our business. There is no part or department of our business from beginning to end that we would not be very happy to give this committee all the light on which it is possible.

The **Chairman.** It is up to the packers to present their side of the case; it has been left to them by the committee entirely. Each side may choose and present its own witnesses.

Mr. **Veeder.** I would say that the witness which Swift & Co. has produced expects to cover that very question of hides before he finishes.

Dr. WILSON. That is one of the questions you know, about which there is a whole lot of controversy, that they are hoarding hides, and that is one question which Mr. Armour can not answer and Mr. Swift can not answer; but the man who is handling the hides and who has charge of the hides department can tell you all about it from A to Z why the hides are held and why they are not held.

The CHAIRMAN. I understand that you are opposed to the resolution proposed by you and adopted unanimously in the convention, as it was a compromise?

Dr. WILSON. Yes; it was a compromise.

The CHAIRMAN. But you are for certain legislation and regulation?

Dr. WILSON. Absolutely; by law.

The CHAIRMAN. Then, are you for prompt action by Congress?

Dr. WILSON. If you do it that way I do not care how soon you do it.

The CHAIRMAN. Just so it is made specific?

Dr. WILSON. Made specific.

Mr. ANDERSON. Have you finished your principal statement?

Dr. WILSON. No; there are two or three other things I want to bring in here.

Mr. ANDERSON. I wanted to ask you some questions on another matter, but you may cover it in your statement and I do not want to anticipate you.

Mr. YOUNG. I have just read this resolution that your convention at Spokane finally adopted. We gentlemen here are Members of Congress and we were not there and did not hear any of the debates.

Dr. WILSON. The only debate that there was on it on the floor——

Mr. YOUNG (interposing). I am leading up to a question.

Dr. WILSON (continuing). Was these two talks I made and one by a man from the West.

Mr. YOUNG. We, as Members of Congress down here, with the duty of enacting legislation where legislation is called for by the country, naturally get our viewpoint on a great many things from what our constituents write us, for example, a great organization like these stock people met there at Spokane.

Now, take me as an individual Congressman. Suppose this resolution had been mailed to me directly, as a member of the committee has jurisdiction of this subject matter, could I reach any other conclusion from the resolution that you actually adopted and sent out from there than this, that you did believe there was a necessity of some kind of legislation being enacted by this Congress?

Dr. WILSON. I do not think you could.

Mr. YOUNG. I do not think so either.

Dr. WILSON. I do not think you could; but if you had been there and went all through it——

Mr. YOUNG (interposing). I just make this pertinent suggestion, then, that you gentlemen who have Representatives in Congress ought to be very careful about passing resolutions and sending them down to Congress if you do not want a thing enacted into law, as you might get something enacted by virtue of a resolution you adopted that you are opposed to.

Dr. WILSON. If I were sending that resolution to a Congressman, I would want to come down and explain it to him.

Mr. YOUNG. When a great organization like these stockmen, brainy men, who get together and deliberately come to a vote on a given proposition, that you feel aggrieved, if I was your Congressman, you had me down here supposed to be representing you, and that was your real sentiment, should I simply pass that into the wastebasket and pay no more attention to what you thought was a very serious matter?

This resolution addresses itself to the members of this committee and Members of Congress that it was seriously passed and that you gentlemen meant what you said.

Dr. WILSON. The idea is this, if you enact legislation in accordance with that resolution, I will say "amen", and if there is an aeroplane I will try to get here and set them up to the committee if you will follow the lines of that resolution on the live-stock question. I do not know whether it would be possible to get it to you, however, in an aeroplane.

Mr. YOUNG. It is a pretty big question, and this resolution is very comprehensive, and it strikes me that it opens up a very broad field and, of course, just what the legislation should be is not specified. It is a very difficult problem and it is a very difficult problem that we have presented here as stockmen, one from your home. We hear it everywhere.

Dr. WILSON. The main objection I heard at Spokane and the one thing that looked bad was one about which one of the best friends I have came one day and was just ready to fight, and that was this: Suppose we send a shipment of live stock to any market—Omaha or Denver—and our stock is not sold to the packer, but is sold to the speculator or dealer, or whatever they call them who are around every yard. This man said he had made two shipments from Wyoming last year that were bought by the speculators, not by the packers; and afterwards the speculator sold them to the packer. He said, "That is wrong." It is wrong, but those speculators are doing more to make a competitive market in these stockyards than any other agency.

Mr. ANDERSON. That is just the point I was going to ask you about. If on the day the cattle came in there the speculator would pay a higher price than the packer, what was the harm in selling to the speculator?

Dr. WILSON. That is what we are all complaining about; that is one of the big complaints at the stockyards.

Mr. ANDERSON. If it was for the purpose of getting two commissions or getting two profits by collusion, that would be a different matter.

Dr. WILSON. Only one party could get two commissions, and that is the commission men. The packers could not have any interest in it.

Mr. BORDERS. If you will stop to think, the packers would not be in on it. They would have to pay more; their profit would be added to it.

Mr. YOUNG. These men in Colorado, Wyoming, and some of those Western States have dealings not so much with the packers, anyhow?

Dr. WILSON. No; we have not any direct dealings with the packers, unless we buy of them.

Mr. YOUNG. Your stock as a rule goes on the market and is taken up for feeders and things of that kind?

Dr. WILSON. Yes; and the packers buy largely of them.

Mr. YOUNG. Are you so familiar with the complaints that are made by people engaged in the feeding business, the business of fattening cattle, whose cattle do go directly to the packer markets?

Dr. WILSON. They all go to the packer market eventually.

Mr. YOUNG. I mean right from the feed pens, though.

Dr. WILSON. I do not know whether the speculators buy any of those or not.

Mr. YOUNG. You do not know yourself about the merit of the complaints that these gentlemen make?

Dr. WILSON. If they are sold to the speculator—the speculators are out in the market all the time; if there is an immense run of stuff, the packers at Denver have a buyer—I do not know about Omaha—have about one buyer for each division. That buyer is out in the yard and these speculators—probably 20 or 30, I do not know how many, all kinds of them—see there is a big run of stuff, and they see their chance and they slip in and buy part of the stuff. The market is generally down when there is a big run, and then the people quit shipping, commence easing off, because they know if they ship too many the market is going down further; and in a few days there is a small supply, and the packers of necessity have to go into the market. The stock is all in the yards, and of necessity the packers have to go in and buy and the speculators force the price up on them. If the speculators could not force the price up they would not last long, because they have to make something.

The commission men, as I understand it, sell for those speculators just the same as for the others, and it is barely possible there may be two commissions; I do not know how that is; we have never had any sold that way.

I will say this, that with the sale of cattle, sheep, and hogs in the stockyards you get a bill from your commission man. In that bill are the numbers, first, then the weights, then the price paid, then the totals, and who bought them—all the way down. Then the railroad fare is taken, the freight is taken out, the commission charges and hay and stuff of that kind is all taken out, and then you get a check for the final balance. But you know every individual or corporation that bought one head of your stock.

When you send wool to the market, the difference is this: You send in 60,000 pounds of wool, and it goes down to market, and you get a statement, so much of this kind, so much of that kind, and so much of the other kind, but you do not know who bought it. But with the cattle deal or sheep deal or hog deal, you have the man's name right there on the bill who bought it, what price he paid for it, the railroad charges, the commission charges, and every charge connected with it, all entered there so that you can take that bill at any time and go to the yards and find out whether it is true or not.

Mr. YOUNG. Is there any complaint in the trade from the producer's end of the line that your commission charges are too high, your yardage charges are too high, your feed bills at these yards are too high?

Dr. WILSON. Yes; I have heard a great deal about it.

Mr. YOUNG. Do you not think, as a shipper, that you have got no way of knowing whether these different charges I have mentioned are in all good conscience the proper overhead charge in this business or not? I can not know it, and you can not know it.

Dr. WILSON. I think that part of it could be answered——

Mr. YOUNG (interposing). Do you not think a fair and impartial commission set up some way or another that could make an investigation as to the investment in this yard as to the cost of feed to the men who administer this feed to the cattle, and these commissions, hearing the whole situation, would be a wise intermediary so that you, as a shipper, may know that you are not being forced in the disposition of your live stock to pay too great an overhead charge for the services rendered?

Mr. WILSON. Mr. Young, is there not an organization now that looks after that?

Dr. WILSON. There is a committee, I forget what it is called; not the Federal Trade Commission, but there is one committee that does that.

Mr. YOUNG. I do not know of any legalized body which performs that service.

Mr. WILSON. It is under the Agricultural Department they have that, and they are even prescribing——

Dr. WILSON (interposing). The Bureau of Markets?

Mr. YOUNG. I understand that is under the war powers. God knows we want to get out from under these war powers as quick as we can and get something permanent.

Dr. WILSON. I can say "Amen" to that.

Mr. YOUNG. And these war powers can not be taken as a precedent. Of course, some things were developed during the war by which experience we can profit; but that can not be taken as a precedent. I am talking about a permanent proposition. Personally I have been sitting here and listening to this testimony, and I feel as if I were a great producer of live stock, was spending my life and my means and property and everything in the development of the live-stock business as a business, and shipping my stock to the Kansas City market, I feel that I ought to have a right to know whether I am paying too much yardage charges aside from the statement on my return of sales that "you are charged so much." I believe I ought to have a right to know that I am not being charged too much for my feed, and that I am not being charged too much commission. On the contrary, so far as I see now the situation, there is no way of my getting those facts. I could not get those facts as a producer, and it does seem to me there ought to be somewhere some agency that will give the producer the facts, and that when those facts come in the producer may say "Well, I have been fairly treated. Here is an impartial body which has said, 'These are proper charges,'" and that would take the unrest from the producers.

Dr. WILSON. If this commission is appointed under the suggestion I made a while ago, and the producer comes and complains of this overcharge and desires to find out whether that charge was correct or not, that commission would naturally have to investigate the whole matter as to costs and capital engaged and everything of that kind; and that commission, I think, would answer your question thoroughly and would give all the information wanted, because they would have to go into that.

Mr. YOUNG. Do you believe if we had some unbiased source from which we could get this information, that much of this unrest among the stock producers all over the country, if they bought their stuff too high and went to market and lost on it—of course they kick then, because every man kicks when he loses?

Dr. WILSON. Yes; naturally.

Mr. YOUNG. If we had this commission or somebody to appeal to to make sure the producers were being treated fairly on this point and the other point and give the information upon which it was based, that would go a long ways in removing the unrest among the people?

Dr. WILSON. Absolutely. And this commission, in order to pass on that and to find whether the charges were too high would have to do as you suggest, go into the investigation of costs and the whole detail and would have to have the whole authority or else it could not pass on whether it was too high.

Mr. YOUNG. I am from the country, and you frequently hear a fellow say "I shipped some cattle and they were sold by the commission man, and I stayed over and I saw those same steers sold again," and the question has come of a double commission being paid on these cattle, and that he, as the producer of these cattle, has had to stand all these expenses, and he feels like they ought not to be charged up to him, and they ought not, if he is correct in his assumption. The very fact that those things do arise seems to me renders necessary some kind of an agency.

Dr. WILSON. I believe this commission would do that absolutely.

Mr. YOUNG. I do not think you gentlemen need to feel that Congress is going to do anything carelessly or wild, but we do want to get at these facts, because we know that a great organization like these packers are composed of, just human beings, and having great power; and we know it is human nature to exercise power, and I guess if we were packers we would exercise it too; and so, knowing those things to be true, it strikes me it would be very wise for us to come to some kind of conclusions and some kind of legislation.

Dr. WILSON. We are willing to meet you there as to this commission, absolutely.

Mr. YOUNG. That is all I want to do.

Dr. WILSON. If you will allow me to say a few words, several years ago—12 or 15 years, or maybe, not quite so much—I was acting president of the National Wool Growers' Association. In conjunction with the American Live Stock Association, we came to the conclusion we were paying too much commission——

Mr. YOUNG (interposing). You have some pretty big troubles on the wool end of it. I know a little bit about that.

Dr. WILSON. This was the live stock end of it, not the wool proposition, because we have become so used to getting bitten in the wool business that we had become hardened to it.

There was a committee appointed, of which I think Mr. McKenzie was the member representing the American National Live Stock Association, and I think Mr. Tomlinson was with the committee. We went to Kansas City, to Chicago, and other places—I do not know where all—and the question was, we were going to put in an independent commission company and run it ourselves. Then the question was, Can you get into the stockyards? Second question was, If you get into the stockyards, can you get into the exchange building? Of course, you have to be there to do business; you can not do business out in the alleys in the mud; then the next question was, and it was a pretty serious question, as we understood it, Will the packers buy our stuff? There were those three questions.

We went to the packers. The meeting was held in Chicago, and that was the first time I had ever seen a live packer, and just as you said a while ago, they were very ordinary-looking men; they would not be picked out in any assembly as being particularly handsome nor particularly brilliant. But we went over the question, and I think there was a representative of Armour present, one from Morris, one from Swift, and maybe one from Cudahy, I forget about the latter. But, anyhow, it was a representative meeting, and they told us, "Yes; we will buy your stuff just the same as buy from anybody else. You will have exactly the same treatment that others get, so far as we are concerned. We want your stuff, and we will buy it."

Then we took up the question, Could we get into the stockyards and into the exchange? They said, "Gentlemen, we have absolutely nothing to do with that. You will have to see the president or general manager, the head man in the stockyards," and we went to them, and we were told, "Yes, we will give you yardage facilities, just the same as anybody else. We will give rooms in the exchange; we will give you the same treatment that the other commission men get."

So after we had gone into that, the organization was completed, and I think there was only $500 stock allowed to any one individual. We were going to have the thing scattered pretty generally so we could do business, and we got our man to sell. We organized a house in Chicago, and I am not certain, but I think one in Kansas City. We did not put a house in Omaha, and as we shipped to Omaha the most of the time we did not have to patronize the commission house. I think our commission house lasted six months, or maybe a year, and it went by the board.

Mr. YOUNG. Naturally it would, if you were not shipping to it.

Dr. WILSON. There was none at Omaha; they had not developed enough to have one there. I do not know what became of the stock in that concern. I have got a few shares of it; I never heard of it. It is exhausted, I guess.

Mr. YOUNG. The question that would address itself to my mind was, Why, since you were western gentlemen, you did not ship to this concern that you organized? Why did you not put it over at Omaha?

Dr. WILSON. There were more in Kansas City connected with it; and when stuff came to Omaha it could not be sold. I can remember when two cars of sheep would stop the Omaha market, and those sheep had to go to Chicago.

But the conclusion we arrived at, after going to all these places and investigating, was that there was only one thing to do, and that was to cut out part of the commission men. At Kansas City—I can not remember now, as it has been so long ago—how many commission men there were, but there were at least four times what was needed, and they all had to get a living. It is a good bit like the proposition we are up against now in regard to the retail dealers. If we could cut out one-half or two-thirds or five-sixths of the retail storekeepers there would be business then for them to do and it would not be necessary for them to have the immense percentages of profits now required.

That was our experience with the packers. They agreed to let us in and agreed to buy our stuff, but they could not do anything for us in the yards or buildings, because they had no control there.

Mr. BORDERS. Did they buy your stuff after you set up what you had to sell?

Dr. WILSON. Oh, yes; there was no trouble about that. But you have got to take into consideration that sellers of live stock are experts and command the highest class of wages, and when they are in with a good firm they do not quit. I do not know how true it is, but I am informed there is one sheep salesman in Chicago who is reputed to be getting $25,000 a year and a share in the profits. He is probably one of the top sheep salesmen in the country.

The CHAIRMAN. It is now nearly half past 12. Without objection, the committee will take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.28 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

STATEMENT OF DR. J. M. WILSON, OF McKINLEY, WYO.—Resumed.

The CHAIRMAN. You may proceed, Dr. Wilson.

Dr. WILSON. I am ready to proceed, Mr. Chairman, but if I could I would like to have one or two more members present, because what I am taking up this afternoon is important, as it clears up a whole lot of what has preceded.

The CHAIRMAN. We desire to leave that to your good judgment.

Dr. WILSON. I would prefer to have two or three more members present, because what I am going into is important, because I think it clears up what has preceded, but as a matter of course I will go ahead if the chairman desires.

Mr. LIGHTFOOT. Mr. Brennan, of Chicago, one of the packers, is in the room, if you want to go on with him.

Mr. RAINEY. It is perfectly agreeable to me, if it is to the members of the committee, for Mr. Brennan to proceed, and the only thought I had in mind was the indisposition of Dr. Wilson who was anxious to complete his statement on account of illness, but whatever meets with the approval of the gentlemen here is agreeable to me.

The CHAIRMAN. Would you prefer to go on this afternoon or to wait until to-morrow morning, Doctor?

Dr. WILSON. I would prefer to go on this afternoon.

Mr. RAINEY. Then I presume you may continue, Doctor.

Dr. WILSON. Gentlemen, as I said this morning, my main objection to this bill, the real objection, is turning matters over to a bureau. The Congressional Record has always been full of that, but I want to quote from some of the recent Congressional Records as to what occurs in these bureaus, what they do, how they take care of business, how they grow, how they become larger than Congress; in fact, one of the Senators says in a late Congressional Record—I have not gone back into the old Records at all—that they pay no attention to laws passed by Congress, and I just want to read a few of these extracts from the Record showing the tendency of bureaus.

This is from the Congressional Record of February 16, page 3103. The discussion was in regard to this shipping proposition when it was up about selling the ships, secured from Germany:

> Mr. Ashurst. Mr. President, I do not desire to reflect on the Shipping Board, neither will I permit the suggestion that I am about to reflect on it to deter me from the performance of a duty.
>
> The Senator from Washington (Mr. Jones) is chairman of the Senate Committee on Commerce. He is a distinguished statesman; he honors the Senate with his presence here and with his industrious habits. The Senate Committee on Commerce is composed of some of the ablest Senators in this chamber. That does not, however, foreclose me from the right to ask the Senate to perform one of its functions. The committee is only the creature, the child, the agency, the instrument of the Senate, and I believe it is the sense of the Senate that the ex-German ships should not be sold until Congress further directs.
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> Mr. President, we are to-day in the doldrums. The Nation is discouraged because Congress has from time to time taken orders from the executive departments. We are the servants of the people, not servants of the departments. It is time the Amercan people knew that their Senators and their Representatives are not further taking orders from the departments, but are taking orders from the people. I have learned that these departments are wrong about 50 per cent of the time, and I have also learned that when Congress does not use its own untrammeled judgment, Congress usually falls into the pit. * * *
>
> Mr. Jones of Washington. * * * If the Senator will permit me, I think I can agree with every word he has said thus far except the suggestion that this side of the chamber is trying to permit this sale. That is not correct. * * *
>
> Mr. Ashurst. * * * I want the American people to know that the Shipping Board shall not settle this question but that Congress shall settle the question for the American people. * * *

And then there is some further controversy for a while, and then at the end this statement:

> Mr. Jones of Washington. The resolution has nothing to do with preventing the sale. The Chairman of the Shipping Board has assured the Senator from Washington as chairman of the Commerce Committee, and the Commerce Committee, that the sale will not be perfected until after the committee shall have had a full opportunity to consider the matter and the facts that may be presented.
>
> The sale will not be consummated. I agree with all the other suggestions of the Senator.
>
> Mr. Ashurst. I hope Congress will assert itself.

Now, this is on page 3109, the same date, a statement by Mr. Brandegee:

> At present I am opposed to the Government ownership and operation of railroads for the same reason. I am opposed to Government operation of grocery stores, and wheat farms, and cotton fields, etc., unless the people of the country want to go out of business and have a socialistic form of government and have the Government take over the business of its citizens. But the world moves, and while I am opposed to that personally now, the day may come when I might change my mind. I do not think I can change my mind upon that subject. Nevertheless, that is not the question here. * * *
>
> Mr. King. I offer the following resolution and ask that it be read and referred to the Committee on Post Offices and Post Roads.
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> The resolution (S. Res. 309) was read as follows:
>
> "Whereas it has been reported that the Fourth Assistant Postmaster General has circularized hundreds of agriculturists in the United States and submitted questionnaires to them relating to diverse subjects: Therefore be it
>
> "*Resolved, etc.*, That the Postmaster General be, and he is hereby, directed to inform the Senate what authority said Fourth Assistant Postmaster General had for his said action and what appropriation had theretofore been made to cover the expenses of such proceedings upon his part."
>
> Mr. King. I merely wish to say, Mr. President, that I know of no authority to support what I understand had been done by the official referred to in the resolution and with respect to the matter to which the resolution refers. Officials are too prone to extend their authority and to engage in activities entirely outside of their legitimate field. I shall be glad if the committee will at an early date recommend the adoption of the resolution.

This next one is in the Congressional Record of February 18, two days later.

Mr. ANDERSON. Doctor, you are not expecting this committee to be influenced by anything that is in the Congressional Record, are you?

Dr. WILSON. Well, it influences your constituents, and I do not know whether I should have more faith in it than Members of Congress or not. I am simply introducing these extracts, if you will pardon me, to show you that I am not alone in my opposition to bureaus. I believe that if the Congressional Record was taken and examined thoroughly it would be found that very few men who have expressed themselves in regard to that in Congress have expressed themselves in favor of bureaus; but I will only read one or two more.

Mr. ANDERSON. I have no objection to your reading them at all. I was entirely facetious in what I said.

Dr. WILSON. This is a controversy about a matter when they were asking for an extra appropriation for the Bureau of Public Health, and occurred between Mr. King and Mr. Ransdell:

> Mr. KING. Mr. President, a few years ago, when I had the honor to represent my State in the House of Representatives, the Agricultural bill, as I remember, carried $4,000,000 or $5,000,000, but we have by leaps and bounds gone from that modest sum to what the Senator states now, namely, thirty-odd million dollars. Let me say to the Senator that last year we appropriated for the Agricultural Department more than $40,000,000, and, as I recall, the year before the appropriation for this department was nearer $50,000,000. The officials of the Agricultural Department would have rejoiced if they could have obtained $100,000,000, and if we had given it to them they would have expended it. There is no limit to the voracious appetite of the departments and bureaus and executive agencies of the Government. They seem to have an absolute disregard of the interest of the public; they carry on extensive propagandas to secure appropriations and are never satisfied. They seem to be eager to spend and exhibit no desire to conserve. It is pitiful to witness the scrambles for appropriations for executive agencies, and it is a sorry page which records the wasteful expenditures of the Federal Government.
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> The executive departments of the Government close their eyes and write checks for millions and then expect Congress to abjectly place their O. K. thereon, and then impose burdens and taxes upon the people to meet them. Federal appropriations are increasing at an alarming rate, and there seems to be no spirit of economy or effort to reduce the burdens which extravagance imposes. Unfortunately, many of the people join in appeals for appropriations which in many cases are not only not warranted but which are in contravention of law, and the theory of our form of Government.
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> This is not, Mr. President, a partisan matter; Democratic officials are culpable in these expenditures as are Republican officials. There is something that gets into the blood of many executive officials when they are invested with authority so that they want to extend their power and aggrandize themselves or their departments or their bureaus regardless of the cost to the Government or the burden to be imposed upon the people. It is frequently said that a Republican can not be efficient or give to the people economical administration. I do not care to enter into a discussion of this charge. It is manifest, however, that we have not fully learned the lesson of economy or efficiency in this Republic. Our Government costs too much.
>
> This is true of municipal and State administrations. Our annual expenses for Government purposes are increasing far more rapidly than is the increase in population.

Mr. ANDERSON. Is the Senator talking about this Democratic administration when he is passing these comments on extravagance?

Dr. WILSON. No; he said that Democrats and Republicans both, if I remember correctly.

Mr. ANDERSON. He was perfectly impartial in that when he was speaking about this administration?

Dr. WILSON. He ought to feel very kindly toward the administration. Senator King, as I understand, is a Democrat.

Mr. ANDERSON. He ought to be and that is why I am surprised.

Mr. McLaughlin of Nebraska. Doctor, that criticism of the Senator seems to have been provoked at the time the recent Agricultural bill was before the Senate.

Dr. Wilson. The Public Health Service.

Mr. McLaughlin of Nebraska. Was it the Public Health Service?

Dr. Wilson. Yes.

Mr. McLaughlin of Nebraska. He was speaking about the appropriations for the Agricultural Department.

Dr. Wilson. Yes; but I think the Public Health Service is a part of the Agricultural Department.

Mr. McLaughlin of Nebraska. No; not the Public Health Service.

Dr. Wilson. This is the Public Health Service that he is talking about.

Mr. McLaughlin of Nebraska. He referred to the Agricultural bill.

Dr. Wilson. He referred to what the Agricultural Department had received.

Mr. McLaughlin of Nebraska. Yes.

Dr. Wilson. But the controversy is between Senator Ransdell of Louisiana and Senator King, and Senator Ransdell started the discussion by saying:

> Mr. Ransdell. That was stated in substance by Dr. McLaughlin, representing the Public Health Service, in his testimony before the committee, etc.

It referred to the Public Health Service, and as a matter of course he is using the Agricultural bill to show the increases.

Mr. McLaughlin of Nebraska. As an illustration.

Dr. Wilson. Yes; I suppose that is it.

Mr. McLaughlin of Nebraska. I was wondering if you would be in favor of reducing the agricultural appropriations. We cut the estimate here some six or seven million dollars, and about all the criticism I have received from the men of my district since coming here has been the result of that cut. I have received letters from farmers and stockmen criticising this committee very severely for the cut they made in the last Agricultural Appropriation bill, and I was just wondering if you would be in favor of reducing such appropriations.

Dr. Wilson. I am not on the appropriating committee and do not know anything about that, but I know this much, that whenever they get anything, they always expend it, or practically always. There is very little of it ever turned back when it is given to a bureau.

Mr. Anderson. That is what they have it for.

Dr. Wilson. Yes; but right at present I supposed there was an era of economy and that the revenues of the Government were going to be insufficient, especially with this Supreme Court decision that is going to make them pay back a lot of money, something like $25,000,000 or more, and I thought that we ought to cut down as much as we could.

Mr. Rainey. The point you make, Doctor, is that with the starting of a commission with a small appropriation, in its anxiety to spread and increase its power, it continues to add numerically, so that the appropriation that starts with a small, insignificant sum, grows by leaps and bounds until appropriations in the billions are necessary.

Dr. Wilson. That is it exactly. That is the general tendency of a bureau government. This is the statement of Senator King:

> While it is true that the Public Health Service is an old service as a branch of one of the departments of the Government, it has taken on a swollen growth, if I may be permitted that expression, of late. I repeat that it is not satisfied with what I conceive to be its legitimate and proper sphere of activity. It, like many other of the departments of the Government, seeks to increase its power and authority by inducing the States to cooperate with it. This is a favorite method of some Federal agencies—to spend some little money in the States and then urge the latter to induce Congress to make large Federal appropriations, provided the States make like appropriations. Of course, in many instances departments of the Federal Government send their representatives into States where some beneficial service is rendered. But the service is such as the States should perform and which in time they would perform. But representations are made that Congress will do the work if it is sufficiently besieged and "bedeviled," so a strong propaganda is commenced, and Congress is petitioned and then "required" to make large appropriations to carry out the work prescribed by Federal agencies.

That is where the big trouble comes in, and like your constituents, they are all writing to have Congress increase the appropriation as much as possible. They are pretty shrewd in getting the States to work with them. We have been in the same boat.

> Many officials in the Federal service are faddists, cranks, "uplifters," dreamers, visionaries, doctrinaires, failures in the practical walks of life, and finally they find refuge in some soft berth in the departments of the Government, and there, protected by civil service and life positions, they indulge in their fads and fancies and dreams and visions, and seek the extension of their powers and covet opportunities to project the General Government into the States and into the purely domestic affairs of the people.

Now, here is an answer to the very question that you suggested, sir:

> An official is assigned to an humble position, but one of merit, with the duties defined by law, and he immediately conceives the idea of making it a big position by the usurpation of authority. He is assigned one clerk, and he immediately conceives the idea of having two. Some friend of his in some other department has a dozen clerks and three or four stenographers and a crowd of employees under his control and he conceives the idea that his work is just as important as his friend's and he demands that there shall be a large increase in the personnel of the agency or bureau of which he is the head.
>
> It is the cellular growth. The cell expands and multiplies until there is a tremendously complex organism; and then this organism or agency or bureau swells and increases, and numerous persons within the bureau fancy that their great abilities entitle them to high positions and to bureaus of their own, and so other fractures ensue and new bureaus result. One bureau, starting as a cell, becomes multicellular, and breaks up into many parts and into many bureaus, and so, by a process of procreation and breeding, these bureaus multiply until their numbers are countless.

Mr. Anderson. Doctor, one of the cheapest forms of amusement I know is attacking Government bureaus and poor Government clerks on the floors of the House and Senate.

Dr. Wilson. I did not catch the first part of your question.

Mr. Anderson. I said that one of the cheapest forms of amusements I know is attacking Government bureaus and Government clerks on the floors of the House and Senate.

Dr. Wilson (reading):

> Why, Mr. President, if the French and some of these alleged decadent nations could get some idea of the processes of fecundity which are exhibited in the departments of the Government and apply them to the biological field, it might remove one of the serious matters which now concern the French leaders.
>
> This Public Health Service organization has increased in power and in personnel and in expenditures. The more money we appropriate to it, the larger it becomes. Governmental departments grow upon the money which they get out of the Federal

Treasury. If they receive a million dollars for scientific research, the first thing that is done is to get enlarged quarters, thousands and tens of thousands of dollars for the paraphernalia of the office, and then the greater part of the appropriation is expended in paying the salaries and the compensation of the officials. If one examines the thousands of appropriations which are made to many of these departments it will be found that many of them are swallowed up by increased salaries, by the enlarged personnel, and by the nameless expenditures for which no showing can be made.

This is a statement of Senator Smoot in regard to some printing issue, and about using extra paper, and there is just a word or two of it that is pertinent here:

> But what do the departments care for the laws that are passed by Congress? They do not care what laws Congress enacts if a way can be found to avoid them, particularly if it is a case of spending the people's money.

I just wanted to read those extracts to show their position with reference to the bureaus.

Now, I want to take up the bill, gentlemen, and I do not know whether I have the bill before you or not: I think I have the bill that came from the Senate. I have bill No. 3944 in the Senate of the United States, and it was reported out of that committee and was reported out, as I understand, unanimously and voted for by Senator Kendrick. I just want to take up a few parts of the bill.

Mr. RAINEY. This is the one known as the Gronna bill?

Dr. WILSON. Yes; it is the one that has been reported out, as I understand it, to the Senate.

The contention I make here, and I want to be perfectly plain, and I want to get myself thoroughly understood in regard to it, is that this bill does not agree in its general conditions with the resolution passed by the American National Livestock Association, because in the resolution adopted there the bill was to be explicit; it was to be law:

> We recommend the enactment of legislation by Congress providing governmental regulation of all marketing, manufacturing, and distributing agencies, etc.; and we believe that such regulatory laws should be so specific and plainly expressed as to prevent misunderstanding or the exercise of any arbitrary power; and further recommend that the supervision of such market agencies provided for by the proposed legislation be made a matter of law, so as to occasion the least possible disturbance or interference with existing business conditions.

In section 10 of this bill, on page 9, it is stated:

> The commission may make such rules, regulations, and orders as may be necessary to carry out the provisions of this act, etc.

There you have the rules and regulations and orders from the commission and not from the Congress of the United States.

Mr. ANDERSON. Will you allow me to ask you a question there?

Dr. WILSON. Yes, sir.

Mr. ANDERSON. Is it your understanding that that gives the commission the power to make rules and regulations without limit?

Dr. WILSON. It gives them power to make rules and regulations, as I understand it, for the conduct of the business of the stockyards and the packing industry.

Mr. ANDERSON. What sort of rules and regulations?

Dr. WILSON. Such rules as they consider are necessary. They are the sole arbiters of it, as I understand it.

Mr. ANDERSON. You are entirely mistaken about that.

Dr. WILSON. If I am, I would be glad to be corrected.

Mr. ANDERSON. I would say that it means that they may make such rules and regulations as may be necessary to carry out the provisions of this act.

Mr. BORDERS. Who determines the necessity?

Mr. ANDERSON. The court would determine it in the final analysis. There is not any question, and I do not think you will deny it, that the general rule of law is that before a commission can make a rule or regulation making a specific thing unlawful there must be a general provision of law making that thing unlawful. The commission can not make a thing unlawful that the law itself does not make unlawful. It may carry into effect the details of the legislation, but that is not any unlimited authority to make rules and regulations or in this case to make any rules and regulations without limit about the packing business.

Dr. WILSON. You know now that these supervisors or the men employed in the Bureau of Animal Industry, I believe it is termed, in the packing houses make certain rules as to certain sizes of packages, and they must do certain things about it, and they must get other packages, and so on. They are making those changes, I understand. We have a little packing house in Cheyenne, and there are certain things they have to do there and that is a regulation. It is not a law.

Mr. ANDERSON. Yes.

Dr. WILSON. It is regulation that the men claim is absolutely unnecessary and not only that but adds to the cost of the preparation of the product.

Mr. ANDERSON. The regulations are in accordance with the provisions of the act under which they are made, and they certainly can not go beyond the provisions of the acts under which they are issued.

Dr. WILSON. The act may express it, or may say, for instance, they have to have a certain package. Now, they change those packages. For instance, Mr. Hammond, who is the manager of the packing house and not only the manager but the owner of it, has said that they have changed the method of fixing the hams and weighing them which he says cost at least from 1 to 2 per cent. Now, that has been a new regulation lately.

The CHAIRMAN. But that was by an act of Congress.

Dr. WILSON. Yes, I know; but they have changed things without an act.

Mr. ANDERSON. I do not think so.

Dr. WILSON. Well, I will tell you one way you can find out—send for Mr. Hammond and get him here and let him tell you about this.

Mr. ANDERSON. I am perfectly willing for Mr. Hammond or anybody else who knows anything about it to come here and tell us just what has been done. I would like to have that done instead of having so much hearsay dragged in here by people who are simply testifying about something they have heard.

Dr. WILSON. Well, I told you this morning that the wrong witnesses were here and had been here.

Mr. ANDERSON. Well, I am not controlling that.

The CHAIRMAN. You have reference to the weight of the hams and bacons?

Dr. WILSON. That is all right, but there is another thing, they get a certain kind of package and then they have to change that, and you will understand this, that these men can cause the packer, or whoever they are mixed up with, considerable misery, if they want to, and those men generally agree to these things rather than have any controversy, because they can not afford to have a controversy with the party in charge.

The CHAIRMAN. I agree with you that they could cause a packer a great deal of trouble.

Dr. WILSON. Yes; or in any other line of business, not only the packer.

The CHAIRMAN. What you have reference to is the net weight of the package. That was done by authority of law.

Dr. WILSON. Yes; and that is all we want; that is, to have this done by law and cut out as much of this bureau control as possible; have your committee, but cut out as much of this bureau control as you can.

The contention I am making here is that this bill does not agree in its main features with the resolution adopted by the American National Live Stock Association.

Mr. ANDERSON. Do you think that that resolution contemplated that any law regulating the live-stock industry should not contain any provision authorizing anybody to make rules and regulations of any sort?

Dr. WILSON. No; I would not go that far; there might be some point, but the law ought to be so plainly expressed that there could be no misunderstanding. That is what the resolution says, and I believe you men can express it so plainly that there need be no misunderstanding.

Mr. ANDERSON. Well, there is no misunderstanding about section 10 so far as I am concerned.

Dr. WILSON. Well, I will try another section.

Mr. MCLAUGHLIN of Nebraska. Your further elucidation may make your point clear, but it does not appear so to me. It seems perfectly clear to me that any rules and regulations that this commission may establish will be for the purpose of carrying out the law.

Mr. BORDERS. What is the law in this act except the rules and regulations, unless you turn to the duties of the packer in section 12? You take section 25, under which they register, and there I say there is no limit. In the first place, the commission can pass, first, upon the location, character, and extent of grounds, buildings, and other facilities provided or to be provided by the applicant or to see that they are found suitable and adequate for the proper conduct of the business.

Mr. ANDERSON. Yes; if he voluntarily registers under the act.

Mr. BORDERS. But can not the commission come in and make the first rule that the packers must register?

Mr. ANDERSON. Absolutely not.

Mr. BORDERS. I say, absolutely so.

Mr. RAINEY. What happens if they do not register?

Mr. ANDERSON. Nothing, and if they register and afterwards violate the regulations, their registration is taken away from them but they can still continue in business just as they did before.

Mr. BORDERS. Here is what happens, in section 10:

> The commission may make such rules, regulations, and orders as may be necessary to carry out the provisions of this act and may cooperate with any department or

agency of the Government or of any State or political subdivision thereof, or with any person.

Mr. **Anderson**. That has no relation whatever to section 25.

Mr. **Borders**. All right; now, pardon me a minute. I say it is up to the commission to determine what is necessary to carry out the provisions of the act.

Mr. **Anderson**. And within the limitations of a court review of what is a valid regulation under the act.

Mr. **Borders**. And God help a business man who starts on the road to those appeals and decisions.

Now, turn to 15. Here is the duty of the packer whether he is registered or not registered.

> It shall be the duty of every packer and operator to comply with the provisions of this act and the rules regulations, and orders which the commission may from time to time prescribe in conformity with this act.

Mr. **McLaughlin** of Nebraska. In conformity with this act.

Mr. **Borders**. All right; but what is there in this act that describes or prescribes anything.

Mr. **Anderson**. Title 3, section 12, contains all the prohibitions there are except those contained in section 14, so far as persons who are required——

Mr. **Borders** (interposing). Now, let me take subdivision (*c*) for a minute and get your construction of it:

> (c) Engage or participate in any manner, either directly or indirectly, in the business of purchasing, manufacturing, storing, or selling foodstuffs other than live stock products, where the effect of such participation in such business may be substantially to lessen competition in or restrain commerce or to tend to create a monopoly in commerce in any line of foodstuffs.

That is up to the commission to determine, and just look where the commission can go to render a decision on the question of competition. There is no limit.

Mr. **Anderson**. They could not go half as far as you have gone yourself in a consent decree which you have agreed to. The Attorney General has infinitely more authority, according to your own statement, under that decree than any commission would have under this law.

Mr. **Lightfoot**. But what we have there agreed to is defined.

Mr. **Anderson**. I think it is not any more definitely defined than it is in this section.

Mr. **Borders**. Of course, I am surprised, frankly, that any lawyer would take the position that the commission could not issue a rule that all packers engaged in interstate commerce must register with the commission.

Mr. **Anderson**. I do not think there is a particle of doubt about it.

Mr. **Borders**. That they have no such power?

Mr. **Anderson**. That they have no such power. I will challenge you now to put your finger on any clause or section of the bill that gives them any such power.

Mr. **Wilson**. Then what good would be that provision of the law?

Mr. **Anderson**. Section 25?

Mr. **Wilson**. Yes; if they are not compelled to register.

Mr. **Anderson**. I do not know that it is of much value. I know what the purpose of it was.

Mr. **Borders.** Then what could the commission do to the packers that do not register?

Mr. **Anderson.** Nothing, absolutely nothing.

Mr. **Borders.** You do not mean that these lawyers over here in the Senate have reported out a bill that means nothing?

Mr. **Anderson.** I mean to say that the Senate committee reported out a bill which means exactly what it says, that nobody is required to register under section 25 unless he voluntarily chooses to do so. and voluntarily agrees.

Mr. **Borders.** Of course, you and I differ on the proposition, but I do not want to take the time of the committee to argue it. You and I differ on the proposition as to whether the commission could issue a rule requiring all packers engaged in interstate business to register. I say they could. I never heard of a commission having jurisdiction of any business but what that was not about the first rule they announced—that they must register.

Mr. **Wilson.** I thought that was practically what it was for, Mr. Anderson, although I have not studied it like yourself, I admit.

Mr. **Anderson.** I happen to know the genesis of that provision, so far as that is concerned, and I know what the purpose of it was, and consequently the attitude which Mr. Borders takes and which other gentlemen have taken with reference to the section has been most surprising to me.

Mr. **Borders.** Of course, there is just as much surprise on the other side.

Mr. **Lightfoot.** I think I can point out where the commission would have power to exercise authority. Under section 12 of the act the law says, under subdivision (a) of section 12:

> It shall be unlawful for any packer to—
>
> (a) Engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce.

In the first place, it is left entirely to this commission to determine under what state of facts any of those conditions arises. It is not undertaken to define in the act the unfair or unjustly discriminatory or deceptive practice or device in commerce.

Under subdivision (b) of section 12, it says:

> (b) Sell or otherwise transfer to or for any other packer, or buy or otherwise receive from or for any other packer, any live stock or live-stock products for the purpose of apportioning the supply between any such packers, or unreasonably affecting the price of or creating a monopoly in the acquisition of buying, selling, or dealing in live stock or live-stock products in commerce.

Now, it is left entirely to the discretion and judgment of this commission whether any live stock or live-stock products that might be transferred from one packer to another was done for the purpose of apportioning the supply. That is a matter that is wholly within its jurisdiction, within its power, within its judgment and however innocent the packer——

Mr. **Anderson** (interposing). Subject in all cases to court review.

Mr. **Lightfoot.** I will show how much court review we have there when we get to it. I think that is a very important suggestion in connection with it.

Now, in connection with the business of the packers, if one packer should have an oversupply of material that his men had purchased on a given date, and he should resell some of that to his neighboring packers, it would be within the power of this commission to determine in its own judgment whether that was done for the purpose denounced by this act or whether it was done for the purpose of unreasonably affecting prices or creating a monopoly in the acquisition of buying, selling, or dealing in live stock or live-stock products in commerce.

A great many people have the idea that what the packers are now doing does in effect create a monopoly. That is a matter that is left wholly within the judgment of this commission to determine.

Now, under subdivision (c) of section 12, the act says:

> (c) Engage or participate in any manner, either directly or indirectly, in the business of purchasing, manufacturing, storing, or selling foodstuffs other than live-stock products, where the effect of such participation in such business may be substantially to lessen competition in or to restrain commerce or to tend to create a monopoly in commerce in any line of foodstuffs.

Now, it is left wholly within the judgment and discretion of this commission as to whether the participation by any packer in the manufacturing, purchasing, storing, or selling of foodstuffs may be to substantially lessen competition or to restrain commerce or to tend to create a monopoly in commerce.

Now, those powers are not defined. While the packers, all of them, all the five packers in the so-called unrelated lines transacted a business aggregating approximately $100,000,000, and at the same time all of its competitors, including all of the wholesale grocers, transacted a business of over $4,000,000,000 a year, yet a governmental tribunal said that we were monopolizing the breakfast table of the American people, and the charge was being made that the presence of these packers in these so-called unrelated lines was having that effect, and would within a short period of time put all the wholesale grocers out of business.

That was the judgment of one commission properly created under the law. Now, this commission is vested with the power to determine to what extent the participation in the purchase, manufacture, or sale of any line of food products by any individual packer either tends to lessen competition or to create a monoply or a restraint in commerce.

We say that the placing of that power in any commission's hands, or that any commission that has other powers equally broad over us, is an instrumentality which would virtually compel the obedience of the packers to any rule or regulation they might make, or suffer the consequence immediately of having this commission enter an order that it was tending to create a monoply and order him to desist in the participation in that business.

I think if you will read carefully all of these subdivisions under section 12, you will see that there is sufficient power granted that is undefined to this commission to authorize it to exercise the most far-reaching and drastic control over this industry, and to such an extent that no man could tell one day from another what rule or reglation might be issued under it; and even if it was wholly within the terms of the bill, if you could put your finger upon some particular line of the act which would authorize the issuance of such an order, still there is sufficient undefined power vested there to give the commission absolute control over this business, and we know from experience with other bureaus who have had powers delegated to them, how they have elaborated upon it and extended it, as Dr. Wilson has said.

I think I might call your attention here to just one incident that would be illuminating on that point.

The Bureau of Animal Industry is given jurisdiction and power to regulate the sanitary conditions around the plant, and to make rules and regulations under that power. There is nothing in that that specifies that the Bureau of Animal Industry can prescribe what kind of building you shall construct to carry on your business or what kind of floors there shall be in that building, but under the exercise of the power delegated to them, they have passed certain rules that you must have certain kinds of floors. They will order you to tear up the floors that are there and put down concrete floors. They have prescribed and elaborated such rules and regulations that one witness who testified before the Senate committee from Colorado stated that he had been compelled to confine his business purely to an intrastate business in Colorado, because he did not have money enough to change his buildings so as to conform to the rules and regulations prescribed by the Bureau of Animal Industry in order that he might get a Federal inspection before he can ship his goods interstate.

That is just one illustration of that point. Now, Mr. Anderson, you referred to the power of review. As I understand the law—and I have not read this new bill over but once or twice, and I have not studied it with sufficient care to even desire to make a legal argument on it—from my understanding of its provisions, when they make a rule or regulation under this act, there is an appeal provided. After a hearing on it, it is subject to review by the Federal court. Now, if there is any evidence to support the finding of the commission, the court on review must sustain the finding of the commission; and furthermore, if it should sustain the finding of the commission, and the finding of the commission was to order the party to desist from engaging in a certain line of business, disconnected from the packing business, and we would thereby be compelled to give up that business, we would, in that respect, be denied of a property right without the right of a trial by jury to determine that issue. In other words, the commission hears the complaint, it enters the order against us, we have the right to appeal to a higher court, and if it affirms the order, we are put out, and to that extent we are deprived of property rights without a trial by jury as guaranteed to us by the Constitution of this country.

By all these provisions I have read here, and quite a number of others under this act, the commission is empowered with the authority to make any rule and regulation which it may see fit in order to carry out those provisions, and inasmuch as the provisions themselves are general in their nature and undefined, then it is up to the intuition and ingenuity of the commission to determine what acts shall be brought within these general terms. Why, Congress itself probably would be surprised to see some of the rules and regulations that have been made under delegated authority by other boards and other tribunals, and we fear, at least, that there will be such a construction placed upon these unlimited powers and general powers that it will disorganize not only our business but disintegrate it as it is at present organized.

The CHAIRMAN. If a complaint should be filed with the commission alleging certain unfair and unjustly discriminatory practices, who would determine that?

Mr. LIGHTFOOT. The commission would adopt rules and regulations prescribing what in their judgment under that power would constitute unfair and unjustly discriminatory practices.

The CHAIRMAN. If they found them unjust, would they not have an appeal to the courts?

Mr. LIGHTFOOT. If there were any facts to support their contention, then the court would merely say whether the contention had been established. The court would not have the power, I do not think, under this law to determine whether it was unjustly discriminatory.

The CHAIRMAN. But suppose the commission should determine that it was not unfair, how could you reach the courts? Is not this commission here given absolute jurisdiction in all these matters?

Mr. LIGHTFOOT. They are given absolute jurisdiction to make any rule or regulation which in their judgment they desire to adopt for the purpose of carrying out the provisions of this act. We say that these powers and provisions here are general in their nature. We do not know what they are going to say is unfair and unjustly discriminatory. Take the stockyards, for instance, they have the power to correct any abuse or prevent any unjust or unfair discrimination.

The CHAIRMAN. But suppose the commission should hold that these practices as alleged were not discriminatory?

Mr. LIGHTFOOT. Then it would not make any ruling about it.

The CHAIRMAN. But suppose, further, the practices were in fact unjust; how would you enforce the law? Does not this act supersede the other acts?

Mr. LIGHTFOOT. No, sir; it is cumulative with all other acts; and that is another point I wanted to bring up, and I am glad you mentioned that. It confers upon this live stock commission identical powers that now exist in other tribunals of this Government. For instance, the Federal Trade Commission has the power now to prevent unfair methods of competition.

Mr. ANDERSON. Do you think that is any more restricted or any more definite than the language in this bill?

Mr. LIGHTFOOT. No; I do not. I think that is general in its nature, and they are undertaking to do things right now under that power that transcends, in my opinion, any conception that existed at the time the language was put into the act.

The CHAIRMAN. Do you claim that an adjudication by this commission would bar the Department of Justice from prosecution?

Mr. LIGHTFOOT. No, sir; you will find that under the provisions of this act, the act is made cumulative with all other acts and does not repeal any power given to any other department of the Government under other acts; and suppose the Federal Trade Commission filed a case against the packers, alleging that certain acts were unfair methods of competition and so decided. This live-stock commission has identically the same power and the same jurisdiction over the same subject matter, and suppose they had occasion to decide that it was not, which one——

Mr. BORDERS (interposing). That is not the question the chairman asked. You asked, Mr. Chairman, quite a pertinent question. Suppose there is a charge made and the commission finds the defendant not guilty? That was your question.

The CHAIRMAN. Yes.

Mr. BORDERS. And suppose some other department, like the Department of Justice, took the matter up That was your question and that is quite an important question.

The CHAIRMAN. That is the question, would it have jurisdiction? I take it, they would.

Mr. LIGHTFOOT. I will say this, that as I read this bill, it does not undertake to modify, repeal, or in any way affect any existing law on this subject, but is made cumulative.

The CHAIRMAN. Dr. Wilson, you may proceed.

Mr. ANDERSON. Since this discussion has come up, I want to say that I do not want to be placed in the attitude of undertaking to defend the Senate bill. I am not sufficiently familiar with it to do that. I am very confident, however, that the point Mr. Borders raised is not well taken.

Mr. LIGHTFOOT. You would have to have a court decision to determine whether it is or not.

Mr. ANDERSON. That is true of your decree, so far as that is concerned.

Mr. BORDERS. I do not want to take up the time of Dr. Wilson in arguing the question.

The CHAIRMAN. What is your answer to Dr. Wilson? If it is all voluntary, and if they do not voluntarily come in under this law?

Mr. ANDERSON. I say under section 25 it is all voluntary but the rest of it is not voluntary.

Mr. LIGHTFOOT. The matter I read is not voluntary. We are bound by those provisions whether we register or not.

The CHAIRMAN. Is it all a question of whether they shall subject themselves to a voluntary registration?

Mr. ANDERSON. Oh, no; not at all.

Mr. LIGHTFOOT. Not at all.

Mr. ANDERSON. There is a provision here for voluntary registration under section 25 which stands entirely by itself, as I understand it. The rest of the sections up to that point are obligatory.

Mr. BORDERS. Mr. Anderson, will you allow me to ask you this question? Do you think there is anything in section 12 that extends beyond the present provisions of the Sherman Antitrust Act?

Mr. ANDERSON. Accepting Mr. Lightfoot's interpretation of it, I should say so.

Mr. BORDERS. It is broader?

Mr. ANDERSON. Yes.

Mr. BORDERS. Well, I will not take up the time of the Doctor with a legal argument.

Mr. ANDERSON. If it is not, I do not see what you are hollering about.

Mr. BORDERS. When it comes to hollering, we do not agree upon the fundamental basis of this bill. I say they can issue any rules and regulations, practically, that they see fit.

Mr. LIGHTFOOT. There is no machinery provided in the law that is set up for the purpose of saying what action under the Sherman Act constitutes a violation of its general terms. That is left entirely to the court, and the packers have never complained about that.

Mr. BORDERS. I think you will find, Mr. Anderson, that Senators Kenyon and Kendrick will not place the construction upon this bill that you have, because they certainly would not take the position that they are in favor of a bill which does not amount to anything so far as the packers are concerned that do not register.

Mr. ANDERSON. I never took that position. I just said that section 25 was not applicable to anybody that did not register. I certainly did not say, nor do I say now, that every section prior to section 25 is not applicable to every packer, whether he registers or does not register.

Mr. BORDERS. Yes; including sections 10 and 15.

Mr. ANDERSON. Including sections 10 and 15.

Mr. BORDERS. Which gives them the right to issue rules and regulations necessary to carry out the provisions of the act.

Mr. ANDERSON. If that bill were to pass to-morrow, you and every other packing concern would be subject to the provisions of the act up to section 25.

Mr. BORDERS. Including the rules and regulations?

Mr. ANDERSON. Including the rules and regulations issued in accordance with the act.

Mr. BORDERS. And the difference between us is how far they can go in the issuance of the rules and regulations. I say the bridle is off, and you say they are hobbled.

Mr. ANDERSON. Well, let it go at that.

The CHAIRMAN. Is section 3 entirely clear as to that:

> A Federal live-stock commission is hereby created to administer and enforce the provisions of this act, and the rules, regulations, and orders issued hereunder—

such rules and regulations as may be issued thereunder?

Mr. BORDERS. Yes; even the provisions of the act would let them go pretty far.

Mr. ANDERSON. That does not confer any authority upon anybody.

The CHAIRMAN. It says "to administer and enforce the provisions of this act and the rules, regulations, and orders issued hereunder."

Mr. ANDERSON. That does not conflict.

Mr. BORDERS. You have got to go back and construe the act as a whole. Take the title of the act:

> To create a Federal live stock commission, to define its powers and duties, and to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes.

Mr. ANDERSON. I will just venture to say, Mr. Borders, that if there is a prosecution under this act your attitude would be exactly the opposite from what it is now.

Mr. BORDERS. Well, that would not prove anything.

Mr. ANDERSON. Except that you are wrong now.

Mr. BORDERS. No; I am not wrong now. Maybe you will prove that this act has not any teeth at all.

Mr. ANDERSON. Well, there are lots of people who claim that the Senate bill has not any teeth.

Mr. BORDERS. They will have a commission all right.

Mr. ANDERSON. Yes.

Mr. BORDERS. Well, I am pretty shy of commissions.

Mr. ANDERSON. I am not defending the Senate act. I do not know enough about it.

Mr. BORDERS. Evidently not.

(The committee thereupon took a recess until 4.30 o'clock p. m.)

At the expiration of the recess the committee resumed its session.

The CHAIRMAN. Mr. Rainey, are you ready to proceed?

Mr. RAINEY. Yes, sir; I am ready.

The CHAIRMAN. You may proceed, Mr. Rainey.

Mr. RAINEY. I will call Mr. Emmart, of Louisville, Ky.

STATEMENT OF MR. JOSEPH M. EMMART, SECRETARY-TREASURER AND GENERAL MANAGER, THE LOUISVILLE PROVISION CO.

The CHAIRMAN. Mr. Emmart, please give us your full name and whom you represent?

Mr. EMMART. Mr. Joseph M. Emmart, secretary-treasurer and general manager of the Louisville Provision Co., Louisville, Ky.

The CHAIRMAN. You may proceed.

Mr. EMMART. Gentlemen, I had occasion to be present at the hearings before the Senate investigating committee, and at that time I made a statement as to our general success in the face of the large packer competition.

At this time, after studying over the situation and looking into these different bills and our general welfare, it seems to me that it is absolutely unnecessary for any regulation. It seems to me that we are regulated now until we have not much more left but regulation. To show you what we are and to give you a better understanding as to exactly our position, we are a small packing house in active competition with the large packers, and have been since the year 1910.

At that time we had a capitalization of $50,000, $15,000 paid in cash, but we had good credit, by the way. We had a packing house but did not have any business. In Louisville Armour & Co., Swift & Co., Morris & Co., the Indianapolis Abattoir, Kingan & Co., and all the semilarge packers are represented. In the face of all that we started in business. The first year, I think, we did around $300,000 worth of business on $15,000 worth of capital. We lost about $4,500, if I remember correctly. At that time we were not killing any hogs, we were simply making sausage and killing a few cattle and trying to get by in a sort of butcher fashion. The second year we started in and killed a few hogs and produced our own stuff and from that time on we have been successful until in the year 1919 we had developed our business up to $4,500,000 of sales with a capitalization of about $150,000, and had a plant improvement that you could not duplicate for $500,000. I am not coming here to make this statement as egotistical or bragging, I am just telling you this to show you that with initiative, hard work, and stick-to-it-iveness, anyone can make a success in the packing business, regardless of the so-called big packer competition. Now, then, to go back to my original subject as to regulation, in fact, we are at this time regulated by the Bureau of Animal Industry, and those regulations are as to our plant requirements, as to whether we should sell a certain animal after it is killed, or whether we should put certain brands and certain legends on our product after it is made; in fact, it almost superintends our plant. I should say that we almost look to them for superintendence. In fact, we do not hardly consider it necessary to have a superintendent with the Bureau of Animal Industry representatives on the grounds. I do not mean any reflection upon the Bureau of Animal Industry at all, because I think it is one of the most efficiently managed organizations under the Federal Government. I was simply drawing your attention to the fact that we had the regulation.

We have also another regulation that has demonstrated its worth in the Interstate Commerce Commission, and not only the Interstate Commerce Commission, but laws that have been enacted such as the Sherman antitrust law and such other laws that have had a tendency to curb unfair competition and irregularities that have come up in the past. Finally, at this time we have a regulation that, if it is not sooner or later handled in—I would not say a better manner, but in a different manner, some of us will be put out of business, and that is the labor situation, which has up to recent times been a free agency, but is now in a sense dictatorial, brought about largely by war conditions, the increased cost of living, and so on. This labor regulation as you would call it has been fixed in a sense by the law, that is, by the war wage board and we do not know whether they are fair or unfair. We are getting by with them. We do not know how long we will last in the face of those regulations.

In the first place, our business is a purely speculative business from the time you begin it until you close your books. We do not know when we kill our hogs whether we are going to realize on those hogs a profit or a loss. Our business is conducted largely upon information or intuition, farsightedness and shrewdness; in other words, it is a gambling proposition from the time you start until you get through with it.

As I said, we have made money every year, with the exception of the first year, until this past year. I do not think any regulation on earth that Congress or anybody else could enforce would save us from the conditions that we have just gone through. For instance, on the 1st of July we were paying from $23 to $24 for hogs. We bought those hogs and paid our perfectly good money for them and tried to maintain a fair stock, enough to justify carrying on the business with the hopes that conditions would permit us to go ahead and give us a fair profit. Inside of the next three months we were set back to the tune of about $60,000, brought on by conditions over which we had no control—agitation in regard to the big packers, the foreign situation, the general market conditions, and the general unrest.

We started at the first of the year expecting to go along on a normal profit, but the Government regulated our profit down to 2 or 2½ per cent, that was still during the war period, and we thought if we could get by on a basis of that kind at the end of the year we would have a fair return for our investment. As it was, at the close of the year we made less than 1 per cent on our sales, that was last year.

Mr. Anderson. You mean 1919?

Mr. Emmart. Yes, sir; 1919.

Mr. Anderson. Were you under regulation at that time?

Mr. Emmart. No, sir; 1918 was the last regulation, but I say that we kept within the regulation during the war-time period, but after that we were free agents, comparatively, and attempted to go ahead and operate on the same basis. We found that even though in the face of the general conditions with the war being over and the failure of the foreign situation to develop an outlet for the general packers' products and stimulate the local demand, we figured that the indications were for going ahead on the same basis. That shows that we do not know where we would be if we would follow another year the same as last year, and we have indication to show it will not be the same. We are simply taking a chance. So far our chances have been taken with good judgment, as I hope to have used in order to build and develop our business to a size where we are not ashamed of it.

Mr. Anderson. What are your annual sales?

Mr. Emmart. From $4,000,000 to $5,000,000.

Mr. Anderson. How long have you been in business?

Mr. Emmart. We started in business in 1910. The first year we did $300,000 worth of business.

Mr. Anderson. How many hogs do you butcher now a year?

Mr. Emmart. Last year we killed about 75,000 or 80,000 hogs.

Mr. Anderson. Are there other plants at Louisville?

Mr. Emmert. Independent plants?

Mr. Anderson. Yes, sir.

Mr. Emmart. Yes, sir; three of them. Vessman & Co., Bomwasser & Co., and the Klarer Provision Co. Vessman & Co., Bomwasser & Co., and ourselves are the only ones under independent control.

Mr. Anderson. Do any of the large packers have plants there?

Mr. Emmart. Yes, sir; I mentioned them before. There is Armour & Co., Swift & Co., Morris & Co., and Kingan & Co.

Mr. Anderson. Not packing plants?

Mr. Emmart. No, sir; branch houses and manufacturing sausage.

Mr. Anderson. These other firms that you speak of have packing houses?

Mr. Emmart. Yes, sir.

Mr. Anderson. Their volume must be quite small?

Mr. Emmart. Not necessarily.

Mr. Anderson. My recollection is that the receipts at Louisville are only about 75,000.

Mr. Emmart. Seventy-five thousand hogs?

Mr. Anderson. Yes, sir.

Mr. Emmart. I think the receipts in a year will run about 725,000 or 750,000 hogs.

Mr. Anderson. I just had that in front of me a moment ago. I may have read it wrong.

Mr. Emmart. I think you will find that is correct. We kill a very small per cent of the hogs that come into Louisville.

Mr. Anderson. It looked small to me when I read the figure.

Mr. Emmart. As compared to the other markets?

Mr. Anderson. Yes, sir. [After examining report.] I find this is the month of December. You are right about that.

Mr. Emmart. Is there any other question?

Mr. Anderson. Just a moment. I want to put myself right in the record. Louisville is given here 137,000 in 1918 and 132.000 in 1917.

Mr. Emmart. There is something radically wrong there, because we are killing a thousand to fifteen hundred hogs a week.

Mr. Tomlinson. It may be cattle that you are looking at.

Mr. Anderson. No. There are 74,000 cattle at Louisville.

The Chairman. You may proceed.

Mr. Emmart. I think you will find that my figures are correct; around from 600,000 to 900,000 have been the average receipts in Louisville for the past 10 or 15 years.

Mr. Rainey. What report have you there, Mr. Anderson?

Mr. Anderson. The Bureau of Markets' report.

Mr. Emmart. In other words, we are trying to show you that in the face of all the active competition we have had it is absolutely possible to develop a packing house and conduct a profitable business;

and we are able to deliver our products in most any section of the country in practically the same manner as the larger packers can. I mention this as regards refrigerator cars. I understand that there is more or less agitation toward the big packers for owning and operating the refrigerator cars. We all know that if we go into business we have to have certain facilities in order to conduct that business. We have got to have the plant first, the manufacturing facilities, and the delivering facilities. I own and operate about 15 or 18 trucks with a capacity of one to three and a half tons. These trucks are used to distribute the products all over Louisville, New Albany, Jeffersonville, and at the camps adjacent to Louisville, such as Camp Taylor and Camp Knox. If I wanted to go into the car route business it would be necessary for me to have unloading facilities in order to deliver the products and, naturally, I would have to either rent or buy refrigerator cars. So far I have been able to get the service of refrigerator cars from the railroad companies without the least bit of trouble. I say that guardedly because there have been times during the past several years when we had trouble on account of a shortage of cars. Recently, or from the 1st of January, I have been shipping into Chicago from one to three cars of fresh pork products, and I have the first time to fall down on our shipments. That is conclusive evidence that we are able to get refrigerator cars sufficient to conduct our business.

Mr. ANDERSON. You do not use beef cars to any extent?

Mr. EMMART. No; not recently. The only time I had beef cars was when I was shipping fresh beef to Camp Knox during the war. We required beef cars to transport the fresh beef. I had the contract for the delivery of fresh beef to Camp Knox and Camp Taylor, a lot of contracts for quite a period during the war.

Mr. ANDERSON. You stated before the Senate committee that you had had some difficulty in getting refrigerator cars?

Mr. EMMART. I stated that during that period on account of a shortage of cars it was at times difficult to get the cars. But my thought is now that if we intended to develop our business to that extent where it required the constant use of refrigerator cars, that we should buy our own refrigerator cars the same as we buy our own city trucks. We invest $3,000 to $5,000 often in trucks. I do not depend on draymen to handle my city service, because I can not tell whether we would get the truck or whether we would not, and naturally it would be better for me to own my own equipment.

Mr. ANDERSON. You think that the automobile manufacturers should buy their own cars to supply their own markets and that the wholesale grocers should provide their own cars?

Mr. EMMART. No, sir.

Mr. ANDERSON. And transport the automobiles in that way?

Mr. EMMART. No. The automobile manufacturer and the hardware manufacturer and some merchants who use cars do not require cars of a peculiar construction and are not concerned whether that stuff spoils before it gets to its destination or not. It is necessary for us to see that the product is properly taken care of in order to build up a reputation.

Mr. ANDERSON. Do you think if you should have refrigerator cars that you should maintain icing stations all over the country so as to keep the refrigerator cars cooled?

Mr. EMMART. That depends largely on the necessity of it.

Mr. **Anderson**. It is necessary to have them if you maintain refrigerator cars and ship any distance?

Mr. **Emmart**. Not necessarily. The railroad could handle the icing stations for the refrigerator cars.

Mr. **Anderson**. You think they should handle them?

Mr. **Emmart**. The stations?

Mr. **Anderson**. The icing stations.

Mr. **Emmart**. I am not informed enough on refrigerator requirements to satisfy your mind on that, because I am not interested in that end especially. I hope that my growth will justify that at some time.

Mr. **Anderson**. The only reason I asked you the question was you had expressed an opinion with reference to this refrigerator-car question, and that led me naturally to make some inquiry as to what you based the opinion on

Now, it has been a settled thing, I think, that the five big packers operate 93 per cent of the beef cars. I do not know whether that applies to all refrigerator cars or not. If that is true, is it not reasonable to suppose that 93 per cent of the cars will be handled more efficiently by the packers than the other 7 per cent, scattered all over the country by the railroad companies?

Mr. **Emmart**. Well, naturally, one with the large equipment would be more concerned as to the efficiency of the equipment than one with a small per cent.

Mr. **Anderson**. Could you afford to conduct an inspection service to see that your cars got through the junctions, were promptly unloaded and returned, and all that sort of thing? In that way you get expedition in service which the small packer who is obliged to use the railroad company's cars would not get.

Mr. **Emmart**. Well, I am getting into something that I am not familiar enough with to enlighten you or to be fair to those who are handling or operating refrigerator cars. I am stating that I am able to operate our business with the service that the railroad companies are able to give us or the packers will loan us of their refrigerator equipment.

Mr **Anderson**. I see.

Mr. **Borders**. Do you loan cars from the big packers?

Mr. **Emmart**. No. Occasionally they loan me a car that is going back. For instance, there is an unloaded car in Louisville to be returned to Chicago or St. Louis, and they will frequently loan me that car to load to go back loaded instead of letting it go back empty. Occasionally I have had the use of cars in that way.

Mr. **Anderson**. Your relations with the big packers have been entirely friendly?

Mr. **Emmart**. Entirely friendly and absolutely independent. They have no connection whatever with our concern. Henry Knight, of Louisville, a live stock purchasing agent, controls 85 per cent of the stock of the company.

Mr. **Anderson**. What is that?

Mr. **Emmart**. Henry Knight, of Louisville, a live stock purchasing agent, controls 85 per cent of the stock of our company. I own $10,000 of the stock.

The **Chairman**. What is the cost of a refrigerator car?

Mr. **Emmart**. What is the cost of a refrigerator car?

The **Chairman**. Yes.

Mr. EMMART. Really, I can not tell you.

Mr. LIGHTFOOT. About $3,000; they have doubled in value.

The CHAIRMAN. About $3,000?

Mr. LIGHTFOOT. Yes, sir; I think you can get one for about $3,000, about the same cost as an automobile truck.

Mr. EMMART. The last comment that I should like to make would be in regard to the attitude that the packers have shown toward the Attorney General in separating themselves from the unrelated products that they have handled in years gone by or are handling at this time. I feel that as long as they have decided to give up these products that the competition between us will be even more fair than it has been in the past, for the simple reason that I do not handle unrelated products and depend entirely upon the cattle, hogs, and sausage for our overhead. Even in the face of that, as I have said, we have succeeded. I believe now with the competition when they give up these unrelated products it will have a tendency naturally to make them depend upon the overhead developed from their hogs, cattle, and sheep, the same as I am, and to my mind we will have a better opportunity to compete with them on our own products.

Mr. ANDERSON. Do you handle butter?

Mr. EMMART. Butter, eggs, and cheese.

Mr. ANDERSON. And poultry?

Mr. EMMART. No, sir.

Mr. ANDERSON. Milk or cream?

Mr. EMMART. No, sir.

Mr. ANDERSON. Cottonseed oil?

Mr. EMMART. No, sir.

Mr. ANDERSON. Peanut oil?

Mr. EMMART. No, sir.

Mr. ANDERSON. Lard substitutes?

Mr. EMMART. Yes, sir.

Mr. ANDERSON. Oleomargarine?

Mr. EMMART. Yes, sir. In that way we will be in closer competition with them or have a better opportunity to succeed than in the past.

If there are any questions, I shall be glad to try to answer them.

Mr. ANDERSON. None of the large packers has a packing plant at Louisville, the Big Five?

Mr. EMMART. No, sir; they have branch houses.

Mr. ANDERSON. To what extent do you handle or butcher cattle?

Mr. EMMART. We kill for the local trade anywhere from 7,000 to 10,000 cattle a year; simply for our local trade.

Mr. ANDERSON. Did you ever make any effort to branch out, outside of the local trade, in the beef business?

Mr. EMMART. No, sir.

Mr. BORDERS. Do they do any processing at Louisville?

Mr. EMMART. Yes, sir; they have their smokehouses and their sausage rooms in connection with their branch houses there.

Mr. TOMLINSON. Mr. Chairman, may I ask the witness a question? Did I understand you to say you lost forty or fifty thousand dollars on hogs last year?

Mr. EMMART. No, sir; I said I lost the first year I was in business, $4,500; and last year I lost—understand me now—from July until the close of my period, about $40,000 or $45,000, and closed with a profit on the year of less than 1 per cent. In other words, my statement showed a gain from the 1st of July of between and sixty and seventy thousand dollars, and when I closed at the end of October I did not have more than $25,000 net on the year's business.

Mr. TOMLINSON. On hogs alone?

Mr. EMMART. On the operating of the entire business—cattle, hogs, sausage, and everything.

Mr. TOMLINSON. Do you keep your accounts so you know whether you make money on your hog business as distinguished from your cattle business?

Mr. EMMART. No; we keep it all as one. We kill so few cattle that practically our whole volume is done on hogs.

Mr. TOMLINSON. You said you had a plant, however, valued now at about $500,000?

Mr. EMMART. Yes, sir.

Mr. TOMLINSON. Was that built out of your profits or from new capital, or what?

Mr. EMMART. For the last 10 years, for the entire 10-year period, we have not paid 30 per cent in dividends. The money that we have earned has all gone into improvements. In other words, we have a surplus of about $300,000 that we have accumulated in this 10-year period that is represented in our plant.

Mr. TOMLINSON. And you started in with a capital of $15,000?

Mr. EMMART. We started with a capital of $50,000, with $15,000 actual cash paid in, paying about $25,000 for an old ramshackle plant that we bought at that time.

Mr. TOMLINSON. Have you put any additional money in since the original $15,000?

Mr. EMMART. Not until this year—well, two years ago we put in $100,000 of preferred stock, and this last year sold $200,000 worth more of preferred stock, so now our capital stock is $350,000 and the surplus $300,000.

The CHAIRMAN. What is your capital at the present time?

Mr. EMMART. $350,000.

The CHAIRMAN. And the surplus?

Mr. EMMART. $300,000.

Mr. TOMLINSON. Your outside business is done entirely by auto-truck?

Mr. EMMART. And our local trade. We go into Tennessee, Alabama, and Indiana.

Mr. ANDERSON. Do you sell directly to the retailers, or do you sell to jobbers?

Mr. EMMART. The bulk of it is sold to retailers. It just depends on how our stock is as to whether we take the jobbers on or not. If the market looks like it would justify unloading we go after the jobbers and work them pretty strongly. If we do not feel that way about it we stand pat on our retail business.

Mr. ANDERSON. But you expect to get rid of most of your volume through your regularly established trade?

Mr. EMMART. Yes, sir.

Mr. BORDERS. Mr. Emmart, something has been said here about the length of time that a person devotes to business. How many hours a day and what special attention have you given to this business?

Mr. EMMART. Well, gentlemen, for eight years I was on the job from 2 o'clock in the morning until 6 or 7 o'clock at night.

Mr. BORDERS. Two o'clock in the morning?

Mr. **Emmart**. Two o'clock in the morning. On Saturday mornings I would always be on the platform at 2 o'clock, and during the week at 4 o'clock, and I would go home to breakfast at 7.30, and get back at 8.30, open my mail, and start my office end of the business. I look after the financial end of it and the managing end. I had my hands full, but it was up to me in the face of remarks that had been made locally that we could not make good, and I was ambitious enough to show them that we could make good, and I think we have.

Mr. **Borders**. Your experience is rather interesting. What is your judgment as to whether the packing business is an intricate, complex business, that requires personal attention?

Mr. **Emmart**. There is no question about the fact that it needs personal attention, gentlemen. I will relate an instance that has happened in the last two weeks in our plant. I operate what is known as peddler wagons. We weigh our goods out to these wagons, and they are given the products, and they go out to the retail stores and dispose of them, and in the evenings they have to bring back the goods or the money or the credit for them. We find that those fellows are of such a type that it requires constant watching and attention. I had attempted on numerous occasions to turn them over to other department heads in order to get free from that early morning work. It is not financially necessary for me to be there at that time, and I had intended to get away from that burden, but I find it takes my personal attention with these fellows to keep them constantly on the job and keep them from bulldozing the other fellows. In other words, there is a class of labor that we have to contend with that is not often found in other industries.

Not only that, but it is just one of those cases where you have got to watch your seller stock against your markets and your salesmen. It is one of those jobs where, unless you are big enough and have plenty of capital and plenty of efficient help that you can turn things over to, you have got to be there to watch the work.

Mr. **Borders**. What is the attitude of the small packers as to the running cf the packing business by a bureau or commission of men appointed by the Government?

Mr. **Emmart**. Just as I stated in my preliminary remarks, we feel that at this time we have such burdensome regulation that we would like to have an opportunity to be free in order to be in competition with other mercantile lines that are not restricted or regulated. Why should they single out the packing industry to regulate when they do not regulate the steel industry or the general merchandise industry or other lines of business that are operating in a financial way?

Mr. **Anderson**. You do not see any difference between a concern that is manufacturing stuff which people put into their mouths for nourishment and a concern that is manufacturing bridge material?

Mr. **Emmart**. Yes, I do see that; and that is the reason why this agitation is so severe. It is from the fact that our stomachs are being appealed to and not our backs. We will go into a store and pay $85 for a suit of clothes, and think, "well, I guess that is all right." But you go into a restaurant and they ask you a dollar and a half for a steak, and you think they are crazy.

Mr. **Anderson**. No; you think you are crazy for paying it.

Mr. **Emmart**. Well, we are crazy for paying it, but our pride will not let us do anything else.

Mr. ANDERSON. What are these burdensome regulations that you are referring to now in the packing industry?

Mr. EMMART. Well, I would not say that the anticipated regulations are burdensome, but I feel that we have been under such a severe strain—not only our business but general business conditions—that we ought to be allowed to go on and conduct our business with the present regulations without inflicting more regulations upon us. If you are in business and striving and have succeeded, and trying to succeed further, and someone keeps pounding on your door and interfering with your general manner of conducting business, you would soon become discouraged and think, "What is the use? Let the big packer have it." You are destroying the little packer competition, in a sense.

Mr. BORDERS. Mr. Emmart, I intended to direct my question to the small packers, whether it was your feeling as a small packer that you wanted a commission or a bureau to issue rules and regulations for the conduct of your business and how that would affect you as compared with the big packer. Do you need it in order to compete successfully with the big packer?

Mr. EMMART. Absolutely not. Gentlemen, to me the big packer is the fairest competition that I have got. The hardest competition to contend with is the small local packer and the little butcher, simply because the big packers operate their business so systematically and on such a fair and small margin and because they have got to make a profit on their product, and if they can make a profit on their product I can make two profits on mine.

Mr. ANDERSON. You mean by that that their business is so big that it necessarily has to be done by, well, let us say, underlings, while your business is not so large but what you are able to give it the personal touch up and down the line, and that enables you to make a profit where their methods might not make one?

Mr. EMMART. No; not necessarily. They have got to operate their plants as well as I. They have got to be in the market every day the same as I have. They have got a certain amount of overhead that they have got to take care of. Unless they turn their stuff over and sell it on the market, which market is made generally and controlled by the board of trade conditions, they are going to lose out at the end of the year the same as I am. I aim to have a certain number of hogs to kill every day. In fact, I do not believe that within the past 10 years I have been out of operation five days altogether outside of holidays.

Mr. BORDERS. Mr. Emmart, you touched a point there that I want to call attention to, because I think it is one of the high spots in the packing industry. You take a lot of other industries in this country, and they are run by officials that are employed. There is no big industry in this country that has been managed by the men who actually had their own money in the business and who gave their own personal attention to the business like the packers, and that is the secret of their success. You can go to the stockyards in Chicago at 7 o'clock or 6.30 o'clock and you will find these big fellows, the presidents of these companies, the Swifts, the Armours, the Morrisses out there at 6.30 or 7 o'clock in the morning personally looking after this business. There is nothing like it in American business, and the minute you undertake to destroy that by legislation you are doing something you ought to hesitate about.

Mr. **Anderson**. Well, I do not question that the men at the head of the packing industry work for a living and that they earn what they get. At least, I am not raising that question now. But I assume there is a limit to every man's capacity, and I hope you are not suggesting that any one man is overseeing $1,200,000,000 in sales a year, or is overseeing the shipping of 5,500,000,000 pounds of products every year. Of course they are not.

Mr. **Borders**. No. But, Mr. Anderson, you call on Edward Morris, president of Morris & Co., at 6.30; he has gone to the yards. What railroad president is in his office at 6.30?

Mr. **Anderson**. I do not know; I think probably you might find Howard Elliott there; he is a pretty hard worker, if I am well informed.

Mr. **Lightfoot**. Mr. Emmart, have you ever bought hogs in the market for slaughter when you knew at the time you were buying them you were going to have a loss?

Mr. **Emmart**. Absolutely; I have done that in the months of January and February this year. I was losing money on every hog.

Mr. **Anderson**. You did that simply because you would have made a bigger loss if you did not?

Mr. **Emmart**. Absolutely.

Mr. **Borders**. That is what keeps your percentage, your capacity of business, practically the same?

Mr. **Emmart**. We hope that by doing this uniformly week in and week out, month in and month out, that at the end of the year we will be able to show a profit. Of course, we do not wait until the end of the year to find that out; we get out statements from time to time, and if we are drifting too far we will cut down on our killing. It is according to what the outlook is; if it looks good to us we will kill heavily; if it does not we cut down on our killing. The big packers, I believe, operate their business on that same basis.

Mr. **Anderson**. Well, do you not think you are able to give a little closer attention to your business as a whole than the big packers do?

Mr. **Emmart**. I certainly do, and I figure that that is where I have made my money.

Mr. **Borders**. Has not the small packer the advantage over the big packer in long shipments?

Mr. **Emmart**. I was just going to say that one of the secrets of our success is that we are able to put a product on the market locally that we can demand a better price for than the larger packers can. Of course, that is only on a fresh product; when it comes to a cured product they can handle it in just as fine condition as we can. But when it comes to the fresh end of it, I can put pork loins on the market and often demand from half a cent to a cent a pound more against what they have to ship in and pay the freight and boxing on, simply because the trade would rather have the pork from a hog killed two days before than from one killed a week or 10 days before.

Mr. **Borders**. You said the stiffest competition you had was from the local butchers?

Mr. **Emmart**. Yes.

Mr. **Borders**. Why is that?

Mr. **Emmart**. Simply because they do not follow the markets and do not know where they are. If they get a little bit of stuff on hand, they get scared and unload it. In that way they keep the market conditions absolutely unsettled. Nobody can do business under such conditions without creating a demand for his individual product, and we do that by constant application to the business.

Mr. BORDERS. Is not this true also, that where the large packers will ship their product 300, 500, or 800 miles, and it is there sold in competition with a product what is brought and slaughtered locally without any shipment at all, that condition is a decided advantage to the local man?

Mr. EMMART. Absolutely. Oftentimes I have to buy products from the other packers when I am killing light, to help me out over a period where I think it is best to let them take the grief instead of me. They can better afford to stand it than I can, and they have an outlet for their product that I do not have. So I have to work kind of between them and the demand for the stuff.

Mr. BORDERS. Mr. Emmart, during the 10 years that you have been building up this business have you at any time discovered a disposition on the part of the large fellows to crush you?

Mr. EMMART. Absolutely not, at any time; no, sir. In fact, the local people were more anxious to crush me than the bigger packers were; there has seemed to be a jealousy existing there. I was catering especially to the local business, and doing that was hurting the fellow that was in the game before I was.

Mr. ANDERSON. In other words, you were hurting the local fellows a whole lot worse than you were the big packers?

Mr. EMMART. Inasmuch as I wanted the fresh end of it, they were satisfied to take the other. They had a wonderful supply of cured product in the season when I did not have it, and they were able to take care of their trade with their big stocks when I was willing to just go along and get what I could out of it. As long as I was able to dispose of what I was making I was perfectly satisfied.

Mr. TOMLINSON. The bulk of your hog trade is fresh meat?

Mr. EMMART. No, sir; we cure hams and bacon, and make lard. We have a splendid demand for all our products.

Mr. TOMLINSON. Do you buy all your stuff on the local market?

Mr. EMMART. We have until this year, and hogs have been running so light in Louisville that we have been going to Kansas City, Chicago, and St. Louis for hogs.

Mr. TOMLINSON. Are you a member of the Louisville Live Stock Exchange?

Mr. EMMART. No, sir; I am not.

Mr. TOMLINSON. Is your company?

Mr. EMMART. No, sir; our company is not.

Mr. TOMLINSON. Is your partner?

Mr. EMMART. My president is.

Mr. TOMLINSON. What is his position on the Exchange?

Mr. EMMART. I do not know. I think he is just a member of it. I do not think he carries any particular position.

Mr. TOMLINSON. Is he in the commission business?

Mr. EMMART. He is in the live stock purchasing business, not in the commission business.

Mr. TOMLINSON. He is an order buyer?

Mr. EMMART. An order buyer; yes, sir; Henry Knight & Son. Charles Knight, his son, is his associate.

Mr. TOMLINSON. The big packers supply the bulk of the cured meat in the Louisville territory, do they not?

Mr. **Emmart.** Well, I should think they did. There are so few small houses there that we are able to dispose of all we can make, and when we have cleaned up we just have to let them take care of it. We sell in active competition with them, demanding just as good prices as they get for their stuff.

Mr. **Anderson.** How can you say that there was such a small run on hogs in Louisville that you had to go to Chicago or St. Louis or some other place when you also say you have from 600,000 to 900,000 hogs there?

Mr. **Emmart.** We only kill hogs that weigh from 165 to 220 pounds. There is a lot of light stuff that comes into Louisville that weighs from 120 to 130. That is bought up and shipped east where they have a demand for that light stuff. We do not have a demand for that light stuff in our town, and therefore we can not use it. We try to get an average of about 190 pounds. That gives a 12 to 14 pound ham and gives a light pork loin and a light shoulder and everything that is fit for the local demand. We cater especially to that type of hogs. We do not attempt to kill any roughs or lights.

Mr. **Anderson.** You are pretty sure the run there is between 600,000 and 900,000?

Mr. **Emmart.** I am pretty sure that that is correct. I have a report in my office that I would be glad to send to you, showing the receipts of hogs in the Louisville market, gotten up by the stockyards company.

Mr. **Anderson.** That is receipts? That is not slaughtered?

Mr. **Emmart.** That is receipts; yes, sir. I think you will find that is pretty nearly correct.

Mr. **Anderson.** And the local slaughter is about 130,000?

Mr. **Emmart.** Yes; I guess that is what it is.

Mr. **Anderson.** I find here that the receipts in 1917 were 548,000; in 1918, 619,000.

Mr. **Emmart.** Yes; I said from 500,000 to 800,000. I could not remember closely.

Mr. **Anderson.** The local slaughter is about 135,000?

Mr. **Emmart.** Yes, sir.

Mr. **Borders.** Where do the rest of them go?

Mr. **Emmart.** They are shipped east or west—wherever there is a demand for them. The biggest part of them go to Baltimore, Pittsburgh, New York, and Jersey City, the bulk of the light end of it, because there is a demand there for that product.

The **Chairman.** Are they stock hogs?

Mr. **Emmart.** No, sir; they are fat hogs; but they are too light to give us the product that we want. If we were in the export business we would take a good many of those hogs from 120 to 160 pounds, because the foreign demand is such that it will take them. A good many of these hogs, I presume, go out of Louisville into Chicago, where the market conditions justify it.

Mr. **Anderson.** You seem to have rather an unusual situation there in comparison to what you might have with fat hogs.

Mr. **Emmart.** As I explained, we kill this medium weight hog in order to give us a product that will meet the immediate demand. They want a light pork loin. They want a light ham. You can hardly sell a 16-pound or 20-pound ham there; the local demand is for 12 to 14 pounds. So we aim to cater to the weight of hogs that we have a demand for the finished product of.

Mr. Anderson. That gives you a relatively small range of competition?

Mr. Emmart. Well, they have plenty of light stuff they can ship in there if they want to. They would supply it if we did not.

Mr. Anderson. Unquestionably so. I am trying to suggest that the situation there seems to be rather an advantageous one from your point of view.

Mr. Emmart. And yet when this organization of allied packers was looking over the territory to find plants that would be satisfactory to their organization they did not figure that Louisville was a market they would want to go into. They figured that the Louisville market was not a market that they could make money in.

Mr. Anderson. They have not gone into any of those Ohio River points to any extent?

Mr. Emmart. Simply because they have a very unsatisfactory hog that comes in there in the spring. This peanut-fed hog or mast-fed hog is one of the banes of our existence at the present time. That is why we have to go into the other markets to get a hog that will be satisfactory.

Mr. Borders. Mr. Emmart, you spoke of the allied organization. How many plants have they?

Mr. Emmart. I do not know exactly. I think five or six.

Mr. Anderson. What do you mean by "plants"?

Mr. Emmart. The allied corporation, the one that took over these several plants around the country, such as, I believe, Forbes at Richmond, and one in either Buffalo or Detroit, one out in Kansas somewhere, and one down in Georgia. I do not know just the location of them. I believe there are one or two in Canada.

Mr. Borders. Do you know the amount of their capital?

Mr. Emmart. No; I have not any idea. It is up in the millions, I guess.

The Chairman. What are the objections to the soft hog?

Mr. Emmart. Well, they simply do not look good. We have to please the eye first, after all. If it does not look good to the eye, we will not put it into our stomachs. It is just a question of pleasing the eye. I had a man come into the plant the other day and ask if I would not save him a mast-fed ham, saying he thought it was the sweetest and best piece of meat he could get. Unquestionably it is a fine product, but it is not profitable, by reason of the fact that if you put it in cure it will not "set up." If you hang it up in your smokehouse it will drip oil. The fatty tissues are so soft that they will not set up, and it makes it very unattractive and very unprofitable, because the shrinkage is so severe. It is just a question of being good looking to the eye, and I have a terrible time trying to dispose of that product. In fact, the only trade that will take it is the negro trade, and we are fortunate in having a good deal of trade of that kind that helps us out.

The Chairman. But I understand it is palatable?

Mr. Emmart. Absolutely as palatable as any piece of meat you ever put in your mouth. I think that upon examination you will bear me out on that.

The Chairman. Very well. We are grateful to you.

(Thereupon, at 5.30 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m., to-morrow, Friday, March 19, 1920.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

FRIDAY, MARCH 19, 1920

PART 21

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

GILBERT N. HAUGEN, Iowa, *Chairman*.

JAMES C. McLAUGHLIN, Michigan.
SYDNEY ANDERSON, Minnesota.
WILLIAM W. WILSON, Illinois.
CHARLES B. WARD, New York.
WILLIAM B. McKINLEY, Illinois.
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JAMES YOUNG, Texas.
H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Friday, March 19, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Rainey, are you ready to proceed?

Mr. RAINEY. Yes, sir.

Dr. Wilson, you may proceed.

STATEMENT OF DR. J. M. WILSON, PRESIDENT WYOMING WOOL GROWERS' ASSOCIATION, MEMBER EXECUTIVE COMMITTEE OF THE NATIONAL WOOL GROWERS' ASSOCIATION, AND MEMBER OF THE EXECUTIVE COMMITTEE OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, M'KINLEY, WYO.—Resumed.

Dr. WILSON. Mr. Chairman, I do not want to leave all the sins on the Senate. I see that a Member of the House of Representatives made a speech yesterday, and I just want to read a couple of sections from it. The speech was by Mr. Zihlman, of Maryland. The newspaper article said:

> Charging reckless extravagance by these bureaus in the expenditure of $897,101,766 since the armistice, Congressman Zihlman warned Congress that such bureaus, characterized by Lincoln as "schemes to cheat the Government," have no place in our original plan of government.

I will skip a lot of the speech.

> Unless a check is put upon the ambition and request, we will soon have a Government not of the people, but by boards and commissions, each of which is intent upon expanding its own jurisdiction, importance, and power and caring little for the efforts or the duplication of their own efforts by overlapping agencies.

I dislike very much to go into this bill, as I see that the attorneys do not agree on it, and it would be hardly fair to ask a layman to.

The CHAIRMAN. You would not expect the attorneys to agree on it?

Dr. WILSON. Probably not. I want to refer to two or three points in it only, points that a layman can understand.

For instance, it goes on and provides:

> The location, character, and extent of grounds, buildings, and other facilities provided or to be provided by the applicant are found suitable and adequate for the proper conduct of the business sought to be registered.

Now, I do not believe you have in the United States Government, in the bureaus or anywhere else, anybody who is able to pass on that proposition.

This is in section 25. Then it provides:

> The financial resources, credit, and standing of the applicant are sufficient to assure the safe conduct of the business.

There have been several packing propositions before the public during the last year. There is one in Iowa, I believe, that has gone wrong, in which they are now in court in regard to the selling of stock. There is one in Omaha, known as the Skinner Co.

Mr. YOUNG. Is there anything significant in the name?

Dr. WILSON. Well, they have been there quite a while and have done a wonderful business in marketing and things of that kind. The Skinner people have their plant completed and are now at work. What they did to make possible the success was to take one of the employees of Armour who had been with Armour for 37 years; they took him as the manager of their plant. I think they are now killing, at least a month ago they tried the machinery out in the hog department to see if it worked and it worked. They have a magnificent building and everything of that kind. They have taken Armour's man; naturally I suppose paying him a better salary or they could not have gotten him. He had been with Armour for some 35 years. That is the man who is the general manager of the Skinner outfit, and, I think, president. There have been a whole lot of other deals through the country; how successful, I do not know.

Mr. MCLAUGHLIN of Nebraska. You mentioned the Skinner plant in connection with this one in Iowa that has gotten into trouble. You do not mean to infer that there was anything wrong with the Skinner plant?

Dr. WILSON. Absolutely no.

Mr. BORDERS. That is a big plant with a lot of money.

Mr. BALDWIN. Permit me to say that it is not the Midland Packing Co. that is in trouble; it is the Midland Cattle & Loan Co. that is in trouble about the stock. That is not connected in any way with the Midland Packing Co.

The CHAIRMAN. Please give the name of the concern in Iowa.

Dr. WILSON. It is a new one that was started. I just saw the press dispatches. About the Skinner proposition, I know personally that they have a magnificent building. They take the animals to the top story of the building and kill them and work right down the line, always down hill. They have a wonderful plant, there is no question about that.

The CHAIRMAN. The one in Iowa that you referred to, is that a success or failure?

Dr. WILSON. They have not started. It was a stock-selling arrangement and some of the people who bought the stock——

Mr. BALDWIN (interposing). That is the Midland Cattle & Loan Co. and has nothing to do with the Midland Packing Co. at all.

The CHAIRMAN. The one in Iowa?

Mr. BALDWIN. The one that got into trouble in the courts through selling stock was not the Midland Packing Co.; that was the Midland Cattle & Loan Co. That has been settled now amicably.

The CHAIRMAN. Where is that located?

Mr. BALDWIN. The Midland Cattle & Loan Co. has its headquarters in Sioux City and also the Midland Packing Co., but they are not a failure in any sense.

Dr. WILSON. Another part of this bill——

Mr. HUTCHINSON (interposing). What is the idea of the Iowa plant hiring the Armour man?

Dr. **Wilson**. It shows that there is no agreement among the packers, that whenever they can get a good man anywhere they take him and pay him the price.

Mr. **Borders**. I think it also shows that the big packers have now actual active competition, which is certainly the fact.

Mr. **Anderson**. Not according to the figures.

Mr. **Borders**. That is not the only new plant which has gone up recently, there are other big ones.

Dr. **Wilson**. In No. 2 of section 25 it says:

> The financial resources, credit, and standing of the applicant are sufficient to assure the safe conduct of the business.

That depends on the handling of it; it depends on the man more than it does on the capital. If there is fixed a certain basis, if this law is to be passed, it appears to me that this committee are as competent to pass on what would be the amount of capital necessary as the commission would. If you want to have an amount, $500, $5,000, $50,000, or $1,000,000, state so in the law, so that men would know that if they had so much capital they could go on, but I think that the Skinner people with the management they have would get along with one-half the capital, because the man they have taken from Armour has a national reputation for ability. He has been the manager of their big plant at Omaha which, I guess, is about the second largest that Armour has in size, outside of the new one at Minneapolis, and with him in charge, with his reputation, it would give him a better opportunity, a better chance of borrowing money than a new manager, because the ability of the men has as much to do with it as the capital has.

In reading this bill the one thing that strikes a layman is the rules, regulations, etc., which occur frequently, and that the bill might be plain and explicit as asked for in the resolution signed by the American National Live Stock Association, but this bill is not plain and explicit; there is room for doubt in a great many places. For instance, just in the section which I read from where they say shall pass upon the financial ability, and so on, of the party, that leaves it entirely to their judgment, not to anybody else. They may take into consideration the character of the men, and so on, but unless they have a fixed amount of capital that it is necessary to have, why, there is no certainty to it at all. It is unnecessary to tell the gentlemen of this committee that more depends upon the management than upon the capital. As a matter of course, there should be sufficient capital to give them a start. There is another thing you will do, if you make this bill a law, there are many small packing plants scattered all over the country. We have one at Cheyenne that is controlled exclusively by the man, the president of the company, and his son. There is one share of stock owned outside and that is owned by a man whom they gave it to to act as secretary. That plant sells material in competition with the plants at Denver and clear south as far as Pueblo, where there is another packing plant, and they have no trouble in getting business. At times they have to do this. I am well acquainted with Mr. Hammond, I have talked with him frequently, they get orders for certain goods in excess of what they have. Then they go to the plants at Denver and buy the excess goods so as to be able to fill the order. They do not do that often, but whenever they run out they do do it.

The only objection that I want to make to the bill is that it does not in any particular agree with the resolution adopted at Spokane.

Mr. ANDERSON. The principal objection you have is that it was reported a little more promptly than you thought the resolution required?

Dr. WILSON. That does not cut much figure, but it does not agree with the resolution. The resolution says that it shall be so plain that there can be no misunderstanding.

Mr. ANDERSON. Have you ever known of any bill which was not subject to misunderstanding?

Dr. WILSON. No; there is——

Mr. ANDERSON (interposing). You are asking something which you know is impossible.

Dr. WILSON. No. There has been no effort in the bill. They could have made an effort——

Mr. ANDERSON (interposing). That is wholly unwarranted, because you do not know how much effort they made or did not make.

Dr. WILSON. I know this. I know the ability of the men in the Congress of the United States is such that they can pass a bill that is more explicit than this bill. I should dislike very much to think otherwise. Gentlemen, I will let it go with that.

I want here to state an instance of what I am trying to do so that you will permit me to go further. I am going to try to show you that according to the Government figures on live stock it is necessary to find a market for an immense amount of meat and that if that outlet is not found the producers of meat are going to have considerable trouble, and especially in the West, where a lot of the producers, unless carried by the banks, must go broke on account of the drought and the fall in prices.

I know several young men in Wyoming who have saved up several thousand dollars. They were good boys, good workers, good young men, and when they had saved that amount of money they bought cattle, going in debt, probably one-half being carried by the bankers and the loan companies. At the price to-day with the loss they have had on the cattle the amount that they put in is absolutely gone, and not only that part of the funds is gone, but the cattle to-day would not sell for the loans. Then, I want to show you that while we are having this legislation that the British Government has had a committee investigating and listening to suggestions, just like you gentlemen have here, and the report of that committee fits in with this, that if we do not get an outlet or we do not eat more meat, that we are gone. We know this, that in certain parts of the West to-day the men with bunches of cattle are closing them out just as fast as they can. I omitted to state that in a great part of the West, outside of the Southwest, the stockmen are not cattlemen or are not sheepmen, but they have both cattle and sheep. I was at Big Horn Basin, Wyo., not long ago, where I suppose there is as much wealth in cattle held by the sheepmen as there are sheep held, and a good many of the largest cattle concerns in the country are also the largest sheep concerns. Those men are closing out their cattle as fast as they can. With the sheep they have the wool clip to help out and the price of wool is probably as high now as it has ever been in the country. With that statement I want to complete this and then I will be ready for any questions.

As a matter of course, I do not verify the Government statistics. I do not think we will know exactly until the next census is taken. My understanding is that the Agricultural Department—and I am over there frequently—goes on the average of the last census. They have a percentage and when the assessments come in so they know about the cattle or the sheep or the other live stock, they add or subtract this percentage, that is reported, compared with the census last taken. When I say that it is very uncertain what the number of cattle is in the country, I mean until this census is taken. We had during the war, if you remember, meatless days, and so on, which a great many of us thought were unnecessary. The live stock in the world had decreased very much; in fact, it was reasonable to think that it had.

Mr. **Anderson**. Have you any figures on that?

Dr. **Wilson**. I beg pardon?

Mr. **Anderson**. Have you any figures on that?

Dr. **Wilson**. Yes, sir. This is in the "Weekly News Letter" of October 22, 1919, a pamphlet or letter gotten out by the Agricultural Department, and it says:

> **Stock losses of war nations offset by gains elsewhere.**
> **Live stock in 14 countries most important in international meat trade.**

I will say that there is one thing that surprised me very much. I had supposed that Belgium had lost all she had, but this report by the Government—as I understand, this was a report made by experts sent there—this report made by the Government shows that before the war Belgium had 1,849,000 cattle, and after the war she had 899,000 or she had lost during the war 51.4 per cent. Where she kept those, I do not know, because my recollection is that there was only a very small part of Belgium which was not overrun by the Germans. The best figures that the Government can give show that she had lost 51.4 per cent. I will not read the whole thing as to the different countries and encumber the record. Before the war the principal countries in Europe had 65,205,000 head of cattle, and after the war they had 58,163,000.

Mr. **Anderson**. Where is this?

Dr. **Wilson**. All of Europe that was connected with the war.

Mr. **Anderson**. Does that include Russia?

Dr. **Wilson**. No; they can not tell anything about Russia. It includes Great Britain, France, Italy, Switzerland, Belgium, Netherlands, Denmark, Sweden, and Germany. Those countries had 65,205,000 and they came out of the war with 58,163,000. The next largest loss to Belgium was Germany. Germany lost 17.9 per cent.

Mr. **Anderson**. Is that cattle or beef cattle?

Dr. **Wilson**. That is cattle.

Mr. **Anderson**. All cattle?

Dr. **Wilson**. I suppose so; it just says "cattle," and I suppose that would be it. Germany went into the war with 20,000,000 and came out with 17,000,000. She lost 17.9 per cent. Great Britain went into the war with 12,185,000, and she came out with 12,311,000, a gain of 1 per cent. In other words, Great Britain had more cattle at the end of the war or when the armistice was signed than she had the day the war began. There is one other country, Switzerland, which came out with 6 per cent more.

Mr. ANDERSON. That increase in Great Britain or Switzerland, either one, is not significant in the world's figures?

Dr. WILSON. No; absolutely not. The loss in all of those countries was 10.8 per cent.

When you come to the United States, Canada, Argentina, Australia, and New Zealand, when the war started they had 102,757,000 and when the war closed they had——

Mr. ANDERSON (interposing). You mean the beginning of the European war?

Dr. WILSON. Yes, sir.

Mr. ANDERSON. You are taking the 1914 figures as compared——

Dr. WILSON (interposing). When the armistice was signed. When the war closed they had 118,895,000, or a gain of 15.7 per cent. The United States gained 19 per cent.

Mr. ANDERSON. Do you happen to have the same figures for the same countries for the same preceding number of years?

Dr. WILSON. No, sir; I have just what they show in this table.

Mr. PURNELL. What is the gain attributed to?

Dr. WILSON. The gain in the United States, I think, was due to meatless days.

Mr. PURNELL. And the campaign for increased production?

Dr. WILSON. I think so; no doubt.

Mr. PURNELL. Plus meatless days?

Dr. WILSON. Yes; the meatless days helped out a great deal.

Canada gained 53 per cent. The only country in the whole table here that lost was Australia, 6 per cent. The gain in these countries was 15.7 per cent, offsetting a 10 per cent loss in the countries of Europe. As the number then in Europe was only calculated at 65,000,000, and in the other countries 102,000,000, you can see that there is quite a lot of cattle, more than there was when the war started—that is, in the countries of the world.

Mr. ANDERSON. But in order to get the real increase you have to deduct the normal percentage of increase in Argentina and the United States?

Dr. WILSON. To get the real increase, yes; but there has been an absolute increase; the numbers are larger than they were before.

Mr. ANDERSON. Not an absolute increase. There is an increase, but not an absolute increase. That is exactly the point I am making. There has been an increase in the numbers, but not an absolute increase either in relation to the population or in relation to the increase which is normal.

Dr. WILSON. A part of the time there has been a decrease from year to year in the live stock in the United States. If you will take the statistics you will find that there has been a decrease in the United States, but this is an absolute increase over what it was in 1914.

Mr. YOUNG. How will that increase compare with the increase in population? We have not kept pace with the increase in population?

Dr. WILSON. The meat supply has not kept pace with the increase in population?

Mr. YOUNG. Yes, sir. I had a general impression from what I had heard—I have not gone into the figures in detail—that the tendency was the population was outgrowing the meat supply; that has been the general impression, I take it?

Dr. **Wilson**. It has, as a rule. I believe, taking it away back, the production of meat increased faster, but as it has gone on the population has increased very much faster than the meat supply, and yet we are to-day facing the position, and it is necessary, as I will show you later, to find an outlet for 6,000,000 head of cattle, using all the meat that is produced, putting it into cattle so that it will clean 500-pound average, the killing of all the animals killed in inspected plants. As a matter of course, there is killing on the ranches and farms, etc., that does not come in. It is guessed at by the department.

Mr. **Young**. To go back to the other matter, the agitation on the part of the Government for meatless days, you say that was a mistake. Do you think that that agitation really caused people to eat less meat?

Dr. **Wilson**. I know it did in our country.

Mr. **Young**. Do you think that the habits of the people being so changed by reason of that agitation, have not yet gone back to the normal meat consumption?

Dr. **Wilson**. I believe that.

Mr. **Borders**. Congressman, did you notice the statistics that I read in the record the other day, just brought out this month showing that we are eating less meat per capita?

Mr. **Young**. I think I remember that.

Mr. **Borders**. That throws considerable light on this question.

Mr. **Young**. I can not carry all those figures in my mind.

Mr. **Borders**. It shows the figures.

Mr. **Anderson**. As compared with 1918?

Mr. **Borders**. Yes, sir; as compared with prior years.

Mr. **Young**. It is possible that you people find yourselves in the same situation that I do, that you do not feel financially able to buy the high-priced roasts. In fact we have them less frequently than we had them before?

Dr. **Wilson**. I move around to different places. The big beefsteak that we used to see ordered when there were two or three together is now conspicuous by being not ordered.

Here are some figures, also Government figur. s, on the consumption of meat that go back to the year 1911. I will not read the fractions. In 1911 there were practically 81 pounds of beef consumed per capita in the United States; in 1912 it had fallen 5 pounds; in 1913 it had fallen off to 73 pounds; in 1914, the beginning of the war, it had fallen to 71.5 pounds.

Mr. **Anderson**. Beef?

Dr. **Wilson**. Yes, sir; beef.

Mr. **Anderson**. Where did you get those figures?

Dr. **Wilson**. They are statistics of the United States Food Administration, showing the total production and consumption, and also the per capita production and consumption of each class of meat, and the total production and consumption of all classes of meat in the United States for the year 1918, as compared with the prewar year, 1914.

In 1914, the year that the war began, it was 71.55 pounds; in 1915, it had advanced 2 pounds. The people were getting a little more money then. In 1916 it had gone to 76 pounds and a fraction; in 1917 it went to 75 pounds and a fraction; and in 1918, 78.87 pounds, the highest it was any year, with the exception of 1911. The average consumption from 1911 to 1918 was 75.71 per capita.

When you come to pork, the per capita consumption of pork is more than beef. In 1911 it was 93 pounds as compared to 81 pounds of beef; in 1912 it was 88 pounds as compared with 75 pounds; and in 1913 it was 90 pounds as compared to 73 pounds.

Mr. **Anderson**. Inclusive of lard?

Dr. **Wilson**. That is the consumption of pork. That would not be lard. That is the actual meat, I think.

Mr. **Anderson**. The reason I asked the question is because those figures do not compare with the figures which Mr. Borders put in the record the other day.

Dr. **Wilson**. I will tell you one thing. Mr. Borders got his figures from some report and these figures also are from some report; these figures are from the Food Administration.

Mr. **Borders**. The other figures were from the Bureau of Animal Industry, and were just issued last week.

Dr. **Wilson**. I do not want to avoid calling your attention to this, that the per capita consumption of beef for the years mentioned was 75.71 and for pork it was 88.25.

Lamb and mutton have held their own right along. The lamb and mutton proposition cuts but little figure. It was only 7.25, average, and that is about all the mutton that can be spared from the flocks. In other words, there is no trouble now marketing mutton and the surplus of the flocks is easily marketed and gotten away with.

The big increase in these years was in veal, which went from 6.67 to the low, 4.53, and then up to 11.27. In other words, the people in the last two years are getting a little bit suspicious and they are marketing as much veal as they can.

The total consumption of meat—that is, all of it—in 1911 was 189 pounds and in 1918 it was 181 pounds and a fraction, and the average for all of these years was 178.99, practically 179 pounds.

Mr. **McLaughlin** of Nebraska. Do not those figures show that the decrease in the per capita consumption of meats began after 1911 and continued?

Dr. **Wilson**. Yes, sir. It went down and then commenced going up during the war.

Mr. **McLaughlin** of Nebraska. There was no agitation of meatless days during those years?

Dr. **Wilson**. In 1911 and 1912 labor was not so well paid as it was later, and I believe that 100 physical labor men will eat more beef than 200 Representatives in Congress when they have the money to buy it.

Mr. **Hutchinson**. You do not mean that Members of Congress do not work?

Dr. **Wilson**. It is not the kind of work that requires beef.

Mr. **McLaughlin** of Nebraska. Brain food?

Mr. **Wilson**. Bull beef.

Dr. **Wilson**. I saw in the Cleveland papers as I came along that the Department of Agriculture had issued a statement in which the decrease in the use of beef—I think they meant meat, I think that is a mistake, because I do not believe there has been any such decrease—that the decrease in beef was 8 pounds in 1919. Whether that 8 pounds means added to this or not, I do not know. I have not been able to go to the department and find the accurate figures. There has been a decrease in the consumption of beef during 1919 of 8 pounds.

Mr. McLaughlin of Nebraska. Even that leaves a larger per capita consumption than during 1912, 1913, and 1914?

Dr. Wilson. With the exception of 1914 it would not. The 1914 consumption would be less than the 1911 consumption.

Mr. McLaughlin of Nebraska. Nineteen hundred and fourteen was before there was any agitation about meatless days?

Dr. Wilson. Absolutely. After that, 1914, it ran right along until 1917, and in 1917 it fell back a little.

Mr. McLaughlin of Nebraska. Do you not think that the magazine articles and statements from various physicians in recent years as to condition of health from eating so much meat has had something to do with cutting down the per capita consumption, among other things?

Dr. Wilson. I think it has; I think all those things tend to it. If people get it in their heads, especially when they reach a certain age, they begin to take a little better care of their health.

Mr. Voigt. There was a marked increase in the consumption of meat in 1918, notwithstanding this agitation against the packers?

Dr. Wilson. Yes, sir; 78.87 pounds per capita whereas in 1911 it was 80.98 pounds per capita.

Mr. Voigt. What was it in 1916 and 1917?

Dr. Wilson. In 1916 it was 76.29 and in 1917 it was 75.49. It fell off about 100,000,000.

Mr. Voigt. And for 1918?

Dr. Wilson. 78.87 per capita.

Mr. Voigt. I understood you to say a while ago that 1918 showed a marked increase in the consumption of meat?

Dr. Wilson. I missed the figures then. There was a marked decrease as compared with 1911, certainly, but in the other years it ran right along. After it got to 76.29 it went to 75.49 and then to 78.87 pounds in 1918, two pounds less than in 1911.

Mr. Hutchinson. Do you not think that the price has had something to do with that?

Dr. Wilson. I do not think there is any question about that. I think that we have gotten away from eating it.

Mr. Hutchinson. On account of the price?

Dr. Wilson. Yes, sir; undoubtedly. The people have been told about these combinations and that meat is too high and that they are being profiteered and they feel a little sore and do not want to pay these profiteers.

Mr. McLaughlin of Nebraska. It seems to me that the chief reason that a lot of laboring men and some others have not been buying meat in recent years is not due to the agitation, but is due to the fact that they could not afford to buy it and we know they could not.

Dr. Wilson. I think the average laboring man, if he wants beef, has got the wherewithal to buy it.

Mr. Borders. I agree with you, Congressman. If the producers are to get still more money, that is, if the packer must pay still more for the animal, it means necessarily higher prices for the consumer, and what will be the result?

Mr. McLaughlin of Nebraska. I was just stating the fact.

Mr. Borders. I agree with you.

Mr. McLaughlin of Nebraska. It is a fact, I think, that a lot of people can not afford to buy meat.

Mr. Borders. I agree with you.

Mr. McLaughlin of Nebraska. And could not afford to buy it last year.

Mr. Borders. If these producers are to get still more money for the live animal, where is the price of meat going, and what will happen? The consumption will go still further down and production will fall off.

Mr. McLaughlin of Nebraska. The reason that my family is not eating more meat is that the price is simply too high and we look for some substitutes that we can get along with at a more economical price.

Dr. Wilson. This editorial which I have appeared in one of the Cleveland papers——

Mr. Anderson (interposing). The figures you read were from the Food Administration, and I want to call your attention to the fact that the figures of the Food Administration on the consumption of pork include pork products and that includes lard. The Food Asministration's figures on beef include all the beef products, all of the utilized offal and everything of that sort.

Dr. Wilson. A part of the edible carcass.

Mr. Anderson. That is not true of the figures of the Department of Agriculture.

Dr. Wilson. What do they show?

Mr. Anderson. They include beef as such.

Dr. Wilson. Nothing but the beef?

Mr. Anderson. As I understand it.

Dr. Wilson. Here is the editorial I referred to. It goes on and says—that carries out the contention of the Congressman here:

> The other is from the Department of Agriculture, announcing that the per capita beef consumption—

I think that should be "meat"; I think that is a mistake—

> of the United States fell off 8 pounds in 1919.

Mr. Anderson. As compared with what?

Dr. Wilson. It just says the per capita beef consumption of the United States fell off 8 pounds in 1919. I suppose compared with the previous year.

Mr. Anderson. That is beef?

Dr. Wilson. I think that is a mistake.

Mr. Anderson. That is beef.

Dr. Wilson. That makes nearly a billion pounds of beef.

Mr. Voigt. Do you not think that this fact had something to do with it? In 1918 we had mobilized a very large Army and this Army required more food? That is, I mean that the price was more affected by that in 1918?

Dr. Wilson. Naturally, and there was a great deal of waste.

Mr. Voigt. And they used more than they would in 1919 when at home?

Dr. Wilson. I think there is something to that.

Mr. VOIGT. I think if you would investigate you would find that the average soldier consumes a great deal more meat than the average civilian.

Dr. WILSON. That makes a wonderful reduction since 1911, 1912, and 1913 before the soldiers were mobilized.

Mr. VOIGT. How does the 1919 consumption compare with 1915 and 1916?

Dr. WILSON. Take 1919, I have only these figures, the figure for 1919 is not yet available, because it had not been arrived at then. This simply says that the per capita beef consumption of the United States fell off 8 pounds in 1919. It says "beef," but I think that must be a mistake, because I do not believe there could be that decrease in the consumption of beef. It says:

> A decrease of 8 pounds per capita in the national meat bill is an indication that the price was too high. It was not because of scarcity, for meatless-day restrictions had vanished long before the calendar year of 1919 commenced. People were permitted to go as far as they liked in the use of flesh foods, limited only by their ability to pay. The restrictions due to high prices were productive of a saving almost as great as the meatless-day regulation.
>
> What is the answer? Retail prices of meat must come within the reach of the consumer's purse or the abstention will continue. High wages paid in ordinary occupations bring no relief. Slowly it is becoming clear to all that the era of inflation has lasted too long.

Take the reports as they are and the production of beef in 1914 was only 7.25 in excess of consumption. That is, per capita. In other words, if there were a hundred million we had 700,000,000 pounds to find an outlet for. In other words, out of every 25 animals slaughtered we would only have to find export for 1 and consume the other 24, or out of every 100 we would have to find export for 4. In 1918 the production was 30.50 in excess of our consumption.

Mr. YOUNG. In what year?

Dr. WILSON. 1918; 30.50 pounds per capita in excess of the consumption. That would mean about 3,000,000,000 pounds of meat in excess of what we consumed. Out of every 7 animals slaughtered we consumed 6 head and had to find export for 1 head.

Now, reduce this meat and call it beef. Not adding 8 pounds which has fallen off this year, it would make another billion pounds practically. With 110,000,000, which I hope it will show this year, it would make 990,000,000 pounds, practically a billion pounds to add to this. If you take the 30.50 pounds in excess of consumption last year or 1918, if you took all that meat and converted it into beef and slaughtered the animals you would have to slaughter over 6,000,000 head, cleaning 500 pounds of beef that we would have in the interest of the cattle men of the country to either eat ourselves or else export it. At present prices we are not going to eat it all, I do not believe.

Mr. ANDERSON. Do you mean that we have to export 6,000,000 head?

Dr. WILSON. Yes, sir.

Mr. ANDERSON. That is more than one-third of the total slaughter?

Dr. WILSON. Yes, sir; practically. I said convert all the meat.

Mr. ANDERSON. That is a little unfair?

Dr. WILSON. I should like to know why?

Mr. ANDERSON. Because a lot of the meat is hogs?

Dr. WILSON. Yes, sir.

Mr. **Anderson**. The demand for hogs for export has increased while the demand for hogs for consumption has decreased.

Dr. **Wilson**. What I wanted to show was to put it in with something comparable.

Mr. **Anderson**. That is just what you have not done.

Dr. **Wilson**. I beg your pardon.

Mr. **Anderson**. You can not compare beef with hogs, cattle, sheep, and everything else.

Dr. **Wilson**. I can compare meat, and I am comparing meat.

Mr. **Anderson**. You can not compare the different kinds of meat.

Dr. **Wilson**. No.

Mr. **Anderson**. You reduce those to cattle?

Dr. **Wilson**. I can take the same figures and show you that it would probably take eighteen to twenty-five million hogs to supply it. It is easy enough to get the figures. Pork is a little more than beef, and it would be at least over 2,000,000 head of cattle alone.

Mr. **Anderson**. Reduced to pounds, how much do you figure the excess of meat production in the country over consumption is?

Dr. **Wilson**. With this 8 pounds, if that means this year, 38.5 pounds per capita.

Mr. **Anderson**. That must go somewhere. If it is not consumed it must go out of the country?

Dr. **Wilson**. You would have to find an outlet or it could not be bought and paid for.

Mr. **Anderson**. How much in pounds would that be?

Dr. **Wilson**. In pounds?

Mr. **Anderson**. Yes, sir.

Dr. **Wilson**. With the population at 100,000,000, it is over that—to take these figures it would be nearly 4,000,000,000 pounds.

Mr. **Anderson**. The highest export in the history of the country was less than 3,000,000,000 pounds?

Dr. **Wilson**. We have to get rid of it, eat it. These men who are buying it can not buy continuously, unless they get an outlet for it.

Mr. **Hutchinson**. Do you figure on practically about 4,000,000,000 pounds of excess?

Dr. **Wilson**. Of meat?

Mr. **Hutchinson**. Yes, sir.

Dr. **Wilson**. Yes, sir.

Mr. **Hutchinson**. You are not figuring on any increase of production this year?

Dr. **Wilson**. I doubt whether there will be much increase in the production. There was a very heavy loss in the West, very heavy, two or three years ago, in the Southwest. That has been practically recovered from, but the loss itself will not be so excessive or such a large percentage as compared to the whole country.

If there is nothing further on that, I should like to go ahead with this Government report from Great Britain.

This is "Interdepartmental committee on meat supplies. Report of committee appointed by the board of trade to consider the means of securing sufficient meat supplies for the United Kingdom. Presented to Parliament by command of His Majesty. London: Printed and published by His Majesty's stationery office." It does not say what month, but 1919; at least it does not say any month. It is for sale for three pence net. It is signed by W. C. Bridgeman, M. P.

(chairman), A. Andrews Uthwatt, F. T. Boys, E. J. Harding, R. Henry Rew—they all have part of the alphabet after their names—and Lieut. Col. Sir Thomas B. Robinson, K. C. M. G., K. B. E.

I will only read a few extracts from this for your information.

With their operations in the United States we are not directly concerned.

That is all the same with this committee.

The Federal Trade Commission on the meat-packing industry (1918) has denounced them as a combination working through a live-stock pool and has accused them of sundry malpractices, resulting in their obtaining a command over most of the important towns in the United States. The meat companies, on the other hand, assert that they abandoned all pools and dominations a long time ago.

Mr. ANDERSON. That is true.

Dr. WILSON. Yes, sir; all right.

It is reported that the United States Government is now taking proceedings against the meat companies under the laws against combinations and "unfair" competition in domestic trade. The Webb Act of 1918, however, exempts from the provisions of these laws associations "entered into for the sole purpose of engaging in export trade and actually engaged solely in such export trade."

The Webb law is still in force?

Mr. ANDERSON. It is.

Dr. WILSON. It gives a table here showing that the British companies in 1909 in Argentina killed 37 per cent of the meat, the Argentine companies 27 per cent, and the American companies 35 per cent. In 1914, five years after, to July, 1916, the British companies killed 26 per cent, a falling off of 11 per cent, the Argentine companies killed 14 per cent, a falling off of 13 per cent, and the American companies killed 59 per cent, an increase of 24 per cent over 1909.

Then under "The future of reproduction," it says:

The only way of ensuring that the price of meat shall be reasonable is either to limit the demand or to take care that the supplies are abundant and not controlled by rings or combinations. Supplies in turn will not be abundant unless prices are such as will afford a reasonable remuneration to the producer. Bearing in mind that one important desideratum is that British markets are to be kept free from foreign domination—

They do not want any foreigners—

and that home producers are more easily dealt with than foreign producers, it is evident that we should look for increased and assured supplies in the first place to the United Kingdom, in the second to the Oversea Dominions, in the third to British companies operating in foreign countries, and only in the last place to foreign producers.

It goes on and gives the percentage of cattle and sheep to the population of Great Britain; in 1871, 295 cattle to the thousand; in 1911, 262 to the thousand; and sheep, 993, nearly a sheep apiece, and in 1911, it was 672, or about six-tenths per cent.

Two proposals for safeguarding the position of the British companies in the Plate have been put before us. The first was that the Imperial Government should guarantee to all purely British companies a fair return on their capital.

The second plan was put forward by the incorporated society of importers as part of their premium scheme. They suggested that a premium of an eighth of a penny per pound should be paid to British meat companies operating in foreign countries, or half the rate to be paid to British firms operating in the Dominions.

It has been proposed to us that legislation should be passed canceling existing contracts between the meat and the shipping companies and that the shipping companies should then be directed to let purely British meat companies a definite proportion of the insulated space. * * * Though the United States Government may be hostile to the large meat packers in the United States, it must be remembered that under the Webb Act (1918) combinations solely for the purpose of export from the

United States are legal, and a fortiori combinations for export from a neutral country. Again, British shipping has hitherto had a monopoly of the meat trade, but 15 American insulated steamers have been equipped during the war, and at least three more are being built.

Great Britain, as I understand, has had an absolute monopoly of shipping arrangements on account of having insulated steamers, but it says that we have built 15, and at least three more are being built.

All these steamers will be looking for trade. Such drastic action as that proposed above might lead the American meat companies, in self-defense, to adopt the policy of providing their own ships.

It was represented to us as of urgent importance that purely British meat companies should also have a share in the development of this great cattle country.

This is talking of Brazil.

During the war a proposal was under consideration to advance from the British Government one-third of the capital necessary, but although this was favorably regarded in time of war, we doubt whether it is now possible to advance money for this particular purpose to an individual firm. We would point out, however, that the British Trade Corporation was incorporated by royal charter for the purpose of supporting sound commercial schemes promoted by British enterprise.

A precedent for licensing is to be found in a recent act of the New Zealand Legislature requiring all meat exporters to be licensed and empowering the government to refuse a license on grounds of public policy, and we are informed that under that act an export license has been refused to Armour & Co.

Under that they can not export any beef to New Zealand.

Two bills are at present before the United States Senate, known as the Kenyon bill and the Kendrick bill, which provide, among other matters, for the licensing of persons engaged in the businesses of slaughtering live stock, preparing or marketing live-stock products, and marketing dairy products, poultry, and poultry products. They differ in some details, but agree in declaring licenses forfeitable on proof of unfair trading or combination to control prices, etc.

Here are some of the recommendations:

We also recommend that Government contracts for meat should be confined to British producers in the United Kingdom and in the Dominions—

which they have a perfect right to do.

We recommend that the Government should encourage friendly cooperation between British shipowners and British meat companies for the establishment of service in which British interests would be concerned. Such cooperation would be promoted by means of the consultative committees suggested in paragraphs (61) and (63(c)).

We also recommend that the British Government should acquire an interest in one or more freezing works for the purpose of ensuring, by first-hand acquaintance with the facts, that the position of British firms engaged in exportation of meat from these countries is not unduly prejudiced. The cooperation of His Majesty's Government during the war in the Las Palmas works has proved to be of great value and affords an example which might be followed with such modifications as circumstances require. If this proposal is adopted the practicability of opening such works to all British subjects deserves favorable consideration. We regard this proposal as in the nature of an insurance, necessary so long as the United Kingdom is compelled to draw a portion of its meat supplies from sources outside the Empire.

An applicant for a license should be required to furnish such information relating to the ownership of his business and other matters as may be prescribed. Subject to the prescribed information being duly furnished, the license should be issued to the applicant as of course, except where it appears that a case for revocation of the licens would immediately arise on its issue.

In that case they would not grant any.

These are additional recommendations:

British meat companies in South America.

It is clear from the facts stated in paragraph 17 that the British companies operating in South America are unable to hold their ground against the American companies;

and it is further clear that the livensing system proposed by paragraph 63 one of the uses of which is to control imported supplies, will of itself restrict and not augment such supplies. To insure supplies it is necessary either that there should be a subsidy or guaranty of business to British works operating in South America so as to secure their continued existence or that the British Government should itself acquire and run works in South America. In either case it would be requisite that sufficient insulated shipping should be provided or controlled by the British Government.

Now, gentlemen, I would like to take a few minutes——

Mr. ANDERSON (interposing). Are you going to discuss that report at all?

Dr. WILSON. Not unless you want to ask some questions about it. You will remember this is a report of the British Government; I do not know anything about it only what it says.

Mr. ANDERSON. It is not a report by the British Government.

Dr. WILSON. A report to the British Government by a committee.

Mr. ANDERSON. Do you know whether the British Government has taken any action on that particular report?

Dr. WILSON. I do not.

Mr. ANDERSON. That is all.

Dr. WILSON. I would like to discuss just for a few minutes some resolutions that have been passed as against these bills. There have been resolutions introduced here that were passed in favor of the legislation.

Mr. VOIGT. Just before you talk about that, this committee of the Parliament, whose report you have read, recommends the licensing of British meat dealers, does it not?

Dr. WILSON. So that other people can not bring it in; they will not have the license, and they can refuse the license, as they have to Armour & Co. in New Zealand.

Mr. VOIGT. It does propose to license all British packers?

Dr. WILSON. It proposes to license for the import of meat.

Mr. VOIGT. And not the packers at home—not in the British Isles?

Dr. WILSON. I do not suppose they have any packers there. They have, as a matter of course, several branch houses, that is, American packers, but I do not think they have any killing plants there.

Mr. ANDERSON. No packing plants in England?

Dr. WILSON. Not the American packers. I am talking about the American packers, and I do not think they have. They may have, but I do not think so. They have branch houses there in several of the towns.

Mr. VOIGT. They must have killing plants in England?

Dr. WILSON. Oh, yes; to kill their own meat; they kill a very large proportion of their own meat.

Mr. VOIGT. It is proposed to license those people in this report?

Dr. WILSON. No, not in this report; I think it is proposed to license the shipping so as to control the incoming meat into the British Isles.

Mr. VOIGT. There has been considerable said here about the packers being hurt by this agitation in foreign countries. Do you think that this report made by this committee has anything to do with the agitation going on in this country against the packers?

Dr. WILSON. They mentioned in one place the K. and K. bills. They also mentioned the Webb Act, but that is not appropriate to the subject in hand, because the Webb Act would allow the packers—this bill would have no effect if they were shipping for export.

Mr. VOIGT. This committee of the British Parliament discusses the general meat situation in the world as bearing on Great Britain. Do you not think that that committee would have been appointed and would have made its report notwithstanding the fact that there was agitation or was no agitation in the United States?

Dr. WILSON. They probably would, because they have the fact that their people in Argentina could not compete with the American packers, and there had to be something done to help them, and all through the report the suggestions are that they must in some way, either by subsidizing or otherwise, protect the British packers in existence in those foreign countries.

Mr. VOIGT. That committee recommends that England do for itself about the same thing that a committee of the American Congress would recommend for our own protection?

Dr. WILSON. Absolutely.

Mr. BORDERS. The point there, Congressman, is that if they do that and produce more than we eat here, what is going to become of us—what is going to become of the prices of cattle to the producer?

Mr. VOIGT. That is a different question. What I was trying to draw out was that there was no connection between this investigation in Great Britain and the agitation against the packers in the United States.

Mr. BORDERS. Congressman, if you will read that report of the British committee you will find that all that that committee has to say about the American packers is based squarely upon the Federal Trade Commission report.

Mr. VOIGT. Well, it does mention the Federal Trade Commission report, but I can not see from what you have read from that report that any agitation in this country had any influence on that report.

Dr. WILSON. I think the report probably is based more on the British inability to compete with the American packers in South America, and that they were gradually being pushed off the boards—because—I can not remember the figures exactly, but you know there is a big decrease in the British production and a large increase in the American production from 1909 to 1916.

Mr. VOIGT. I think you are right about that. Then, I think it is fair to say that this investigation on the part of Great Britain had nothing to do with the agitation against the packers in the United States.

Dr. WILSON. Well, as to that, I could not say. There might be that inference, still there is part of it that leads to the inference the other way.

Mr. ANDERSON. All this report does, so far as the packers over here are concerned and so far as the investigation is concerned, is to say that there was an investigation, and that the investigation found such things, and that what the investigation found was denied by the packers themselves, and that they, under the law, over here have had the power to combine for export trade where they did not have the power to combine for domestic trade. That is all it says, is it not?

Dr. WILSON. No; it says several things——

Mr. ANDERSON (interposing). About this particular agitation?

Dr. WILSON. Certainly, because there is much more to it.

Mr. ANDERSON. That is all it says about this agitation of the Federal Trade Commission?

Dr. Wilson. It goes on to state that under their license Armour & Co. had been prohibited from doing business in New Zealand, that they had been denied a license.

Mr. Anderson. That has nothing to do with the Federal Trade Commission investigation, has it?

Mr. Borders. It is based squarely on that.

Mr. Veeder. There was no other reason given for refusing Armour a license?

Mr. Borders. You will find in this report, if you will read it, that their attitude against the American packers is based on the Federal Trade Commission report.

Mr. Veeder. And so is the agitation in this country largely based on the Federal Trade Commission report.

Mr. Borders. That report clearly indicates the attitude of England against American meat. The meat we sell over there is the meat of the American producers, and if we are not going to be able to sell the meat of the American producers abroad, what are we going to do if we produce more than we consume at home? That is not a matter of agitation and prejudice. There is the situation that confronts us.

Dr. Wilson. The fact is that in Denver within the last six months there have been two men from Australia cruising along the lines and trying to find out all about how the American packers conduct their business in Denver.

Mr. Tincher. Let me ask some of you gentlemen who are informed, do you suppose they had any information concerning Armour's Leather Co. when they revoked his license over there?

Mr. Veeder. They did not. The Armour Leather Co. was organized long after the action by the authorities of New Zealand in rescinding Armour's license.

The Chairman. Do you contend that the proposed legislation would affect the price of live stock except in so far as it effects the profiteering of the packers?

Dr. Wilson. I think this, Mr. Chairman, that this constant agitation will have an effect——

The Chairman (interposing). Is it not a fact that when we return to normal conditions that our prices will be governed by the prices in South America, because, prior to the war we were importing meat equal in quality of our own which was sold in New York and in this country at greatly reduced price, say, 3 or 4 cents a pound?

Dr. Wilson. I think it was.

The Chairman. When we return to normal conditions and transportation facilities are restored or provided for, the meat will begin to come in from South America, and the price will be governed by the price of that South American meat?

Dr. Wilson. And then American producers will have to cease producing beef.

The Chairman. The same, whether we have legislation or not and whether we regulate the packers or not.

Dr. Wilson. They will have to cease production of beef.

The Chairman. Then this legislation has nothing to do with the prices except to regulate profit.

Dr. Wilson. As I read the bill, it will have no effect on increasing the price of the producer's live stock, but——

The Chairman (interposing). Except that it might cut the profits; that is, they may be divided between the producer and the consumer.

Dr. WILSON. I believe the chairman is from Iowa, are you not?

The CHAIRMAN. Yes.

Dr. WILSON. And the profits of your constituents in feeding cattle last year have not been excessive, nor were they excessive the year before—I believe that is a fact?

The CHAIRMAN. I think that is true about six times out of ten, that the feeding of cattle has not been a profitable business.

Dr. WILSON. If they lose six times out of ten, they make something on the four times.

The CHAIRMAN. They do not lose all the time. They feed the feed, do the best they can, and take their chances. We contend in Iowa—most people do—that you can not do much without live stock.

Dr. WILSON. I believe that is true; and you will have eventually to turn away from farming if you do not have live stock, and have to go out of the farming business.

The CHAIRMAN. Our farmers have to handle live stock whether it is profitable or not, or go out of business; that is the general contention.

Mr. TINCHER. You say they will "have to go out of business." What do you mean by that?

Dr. WILSON. They can not produce at a loss and continue in the business, because most of the farmers have not got excessive surpluses. Some of them have. There is one condition in Iowa; your land there, I believe, Congressman, has gone to two or three times the prices that prevailed 10 or 12 years ago, on an average.

The CHAIRMAN. Eliminating the value of land, labor on the farm that used to be $18 a month is now $100 a month. You can not feed and sell cattle at 5 cents a pound and pay $100 a month for help.

Dr. WILSON. That is true out West and everywhere else.

The CHAIRMAN. You can not get labor at any price. That, of course, is one item in the case. Taxes have also increased.

Dr. WILSON. Everything has increased.

Mr. HUTCHINSON. Doctor, there must be some reason why land has gone up three times its former value, is there not?

Dr. WILSON. And my recollection is that there was an issue of some pamphlet by the Agricultural Department here a short time ago warning the people against these increased values, stating that they are fictitious and could not be sustained; and there is a reason, I think——

Mr. HUTCHINSON (interposing). And they are still climbing.

Dr. WILSON. And still they are climbing.

The CHAIRMAN. Is it not a fact that everything else has increased in price. Has land increased any more than other things, for example, textiles and iron?

Dr. WILSON. I think in some places it has.

The CHAIRMAN. Can you cite any instances? Make the comparison.

Dr. WILSON. I think in parts of Iowa it has. As a matter of course, my information as to Iowa land values, you will understand now, Mr. Congressman, is that which is given in the market papers, to the effect that somebody has sold a farm for $500 an acre, and I think there are places where it has been sold beyond that figure.

The CHAIRMAN. Lands in Iowa have probably doubled in some places.

Dr. Wilson. But I think that is based to a great extent on the prices of corn; with corn at $1.50 a bushel, Iowa land is worth $500, $600, or $700 an acre.

The Chairman. Compare land increases with railroad iron; has not that more than doubled in price?

Dr. Wilson. Yes, I think it has, although I am not sure.

The Chairman. Has not real estate in the cities doubled as well?

Dr. Wilson. In some cities, yes, it has more than doubled.

The Chairman. Anything you buy as a stockman has doubled?

Dr. Wilson. Everything the stockman uses has doubled.

The Chairman. Then, what do you mean by the comparison?

Dr. Wilson. Simply that when the prices go back to normal, as we suppose they will without doubt some time—but if the prices go back to normal, then the prices of land must be reduced, or they can not even pay interest.

Mr. Borders. We stand up for Iowa, Mr. Chairman.

The Chairman. I will stand up for Iowa and for other States.

Mr. Young. On the question of prices going back to normal, do you not think it would really be unfortunate if the prices should go back to normal on many of the things produced in the agricultural line? For instance, farm labor? I represent a great agricultural district, and I know that farm labor did not draw sufficient compensation to enable the people to live decently prior to this war.

Dr. Wilson. Especially where they had families.

Mr. Young. They could not live decently; and I know, furthermore, that people engaged in producing the great crops with which the live-stock product is raised, that the prices obtainable for those crops at the end of the year were not sufficient to enable them to pay out of debt. Would you not hate to see that condition gone back to? That is not a healthy condition?

Dr. Wilson. Certainly not. But my recollection is that after the Civil War we had this same proposition confronting us. I lived in Ohio then, as a boy, and we thought that prices never would go back, but they did go back to a great extent. Now, whether this war is going to be a repetition of that war or not we do not know, or whether this is a so much greater war than the other that there can not be comparisons, I do not know. But I remember very distinctly that at that time, I was living in a farming community, and they sold horses at $160 and $200, and any prices they wanted to ask. Oats were $1 a bushel, and wool sold for $1 a pound. But prices did go back. No; I would not want to see it.

Mr. Young. Doctor, I do not know how it is up in your country, but in my country, away down there in Texas, from my boyhood days on up until the past few years, agricultural life has been such that you seldom ever saw an improvement on the farm. People were not able to repaint their houses. They were not able to keep up their improvements. The result was that community life in the agricultural sections got to be a very unattractive proposition, and people left those farms.

Dr. Wilson. Yes.

Mr. Young. They did not want to leave them; they were forced to leave them. Since our prices have gotten better, in the last few years, you see an absolute revival all through those communities. You see nice little bungalow homes all through that country, painted houses, and the people seem to be happier than they were. Is not that the condition we would all like to see, to get people out of these congested centers and get them back to that kind of life?

Dr. Wilson. I think the statement you have made is not only true in Texas, but true in a great deal of the country.

The Chairman. I have a list here I would like to call your attention to, giving prices of articles ordinarily and regularly purchased by farm people and stock producers. This is from the Year Book of the Department of Agriculture, 1918, No. 795. I observe on page 30 the price of axes in 1909 was 89 cents each and in 1918 $1.85. Calico jumped from 6 cents a yard in 1909 to 22½ cents in 1918. Gasoline in 1909 was 20.2 cents and in 1918, 29⅒ cents; halters in 1908 were 85 cents each and 1918 $1.75 each. Harness prices increased from $13.50 in 1909 to $25.30 in 1918; horse blankets in 1909 were $2.25 each and in 1918 $4.70; lime was $1.29 in 1909 and $2.41 in 1918; men's suits increased from $13.15 in 1909 to $27.50 in 1918; milk cans, 10-gallon, $2.40 in 1909 and $5.70 in 1918. Nails in 1909 were $3.34 per 100 pounds and in 1918 were $6.35. I bought carloads of nails at less than $1.25 in about 1916. Picks in 1909 were 71 cents each and in 1918 they sold for $1.28; portland cement advanced from 70 cents in 1909 to $1.10 per 100 pounds in 1918. Grain sacks could be bought at 15 cents in 1909 and the price in 1918 was 46 cents; salt advanced from $1.50 to $2.75 per barrel in the same period; shovels from 74 cents each to $1.50; steel wire from $3.43 to $6.80 per 100 pounds.

How do those figures compare with the advanced prices in land that you have referred to? The fact is that everything else has increased in price more than the price of lands have, even in Iowa.

Of course you realize that the prices on articles bought by farmers are much higher now than they were in 1918?

Dr. Wilson. We bought some wire two months ago, and it was claimed to be wire that the Government had bought at a sacrifice. I know it had very long barbs on it, and they got two cars in our town, and we purchased it at $3 a hundred.

The Chairman. If you go anywhere else you will pay $6 to $7.

Dr. Wilson. That is it exactly; not only that, but you would get lighter wire.

The Chairman. The Government is selling at a loss, are they not? You would not expect the Government to sell anything at a profit—expect to get its money back?

Dr. Wilson. They are selling at a loss.

The Chairman. How about automobiles, trucks, and everything else?

Dr. Wilson. Automobiles in our country have not doubled in price. I think a Buick five-passenger car sold for $1,100 and something before the war; I think they now sell for something like $1,500.

The Chairman. Congress has passed a resolution odrering the disposition of Government automobiles and trucks, because there are a great number of them rusting and deteriorating.

Dr. Wilson. May I continue now?

The Chairman. Yes, Doctor.

Dr. Wilson. I want in just a few minutes to go over some of the resolutions passed in different conventions. Here is the resolution passed by the National Wool Growers' Association. I will say that the National Wool Growers' Association had an attendance of from 900 to 1,200 at every session, and an attendance three to four times larger than any other association which has met up to that time; and it is a constructive association. The people from the States control it and not the national convention itself. Every State appoints its own member of the executive committee.

Mr. TINCHER. You say it had an attendance three or four times as large as any other association that had met?

Dr. WILSON. That had met, or that had met up to the middle of March.

Mr. TINCHER. This year?

Dr. WILSON. Yes, sir.

Mr. TINCHER. And what was the attendance?

Dr. WILSON. From 900 to 1,200.

Mr. TINCHER. I do not know whether it is true or not, because I have the paper giving the account of the Cattle Men's Convention at Wichita, Kans., which adopted the resolutions of Mr. Weld, representing the packers and some of the others carried on a debate which shows a much larger attendance.

Dr. WILSON. At Wichita?

Mr. TINCHER. Yes. I was not there, however, and you may be right in saying that this 900 to 1,200 was the largest.

Dr. WILSON. I was at the American National Live Stock Convention at Spokane, and we had at least three times the attendance they had there.

Mr. TINCHER. Three times the attendance?

Dr. WILSON. Three times the attendance they had at Spokane—the American National.

Mr. TINCHER. But you do not know about this Wichita convention?

Dr. WILSON. No; I was not there.

Mr. TINCHER. I do not know about it either. It may be that Mr. Weld and his friends boosted their own crowd.

Dr. WILSON. The Wool Growers' Association is 55 years old, and has never had a breaking-off or trouble. They had no meeting last year. The meeting was called for last year, on account of the flu was postponed once; and when the time of the call expired, they still had the flu, and then it was put off for the entire year, and there was no meeting in 1919. Consequently, there was no resolution adopted there in regard to the K. and K. bills. This is the first meeting that they have had since the K. and K. bills were introduced, and here is the resolution they passed. And, I will say this, that when that resolution was passed it was cheered from two minutes to five minutes. The only other resolution that was cheered was the resolution on the League of Nations, and it was cheered longer than this was.

Mr. TINCHER. Was that the resolution endorsing the League of Nations?

Dr. WILSON. If you will allow me to read it——

Mr. TINCHER (interposing). We want to leave out this applause business.

Dr. WILSON. I will read the League of Nations' resolution, if you wish it read. This is the resolution on the K. and K. bills. [Reading:]

> Whereas the constant agitation against the packers has had the effect to depreciate the value of live stock and to unsettle the live-stock markets of the country, to the detriment of the producer and no benefit to the consumer, therefore, be it
>
> *Resolved*, That the American Wool Growers' Association protest against this constant agitation and protest against enactment of the so-called "K. and K." bills, or any similar bills.

Mr. ANDERSON. It has not had any affect on the price of sheep, yet, has it?

Dr. WILSON. No; oh, no.

Mr. ANDERSON. How about the wool growers helping out the beef people?

Dr. WILSON. This is a wool growers' convention, not a beef convention. The American National Live Stock Association is also a sheep, cattle, horse, goat and everything else convention.

Mr. ANDERSON. I was just wondering if these fellows passed these resolutions because their toes had been stepped on and they had lost money by the slump in the price of sheep, or whether they were just kind of helping out the cattle fellows.

Dr. WILSON. They were helping out what they believed was the production of meat.

Mr. ANDERSON. But their own experience had not shown that the agitation had had any effect on the sheep prices?

Dr. WILSON. Sheep was something like probably 25 per cent less than they were a year ago, with wool prospects much higher.

Mr. TINCHER. Doctor, before you leave that, will you not except the Kansas Cattlemen's Association from your comparison about the size of the meeting until you are fully informed?

Dr. WILSON. Certainly, I will withdraw that. But the wool growers' meeting was much larger than that of the American National Live Stock Association in Spokane.

Mr. TINCHER. Oh, well. that is——

Dr. WILSON (interposing). And that is supposed to have not only cattle men but sheep men, and so on.

Mr. TINCHER. It is reported that they depended upon the aeroplane service from Canada.

Dr. WILSON. That would naturally increase the attendance and not reduce it. [Laughter.]

Mr. YOUNG. Doctor, you gentlemen get me guessing. Here is a telegram which just came to me from the Texas Cattle Raisers' Association, which is now being held at Houston, a very large organization, probably several thousand.

Dr. WILSON. Yes.

Mr. YOUNG. And this resolution that they adopted was favorable to legislation. While you are reading yours from your organization, they are against it?

Dr. WILSON. Yes.

Mr. YOUNG. The thing that confuses me, as a member of this committee, is why the different viewpoint exists between these producers. This is a great organization in Texas, where they have several million head of cattle and many thousands of men interested in that business, while here you are representing another great producing section with your organization, and your ideas are diametrically opposed to each other.

Dr. WILSON. Will you kindly tell me, or have you got the figures in that telegram, how that vote was?

Mr. YOUNG. No; it does not say how the vote was.

Dr. WILSON. Was it unanimous?

Mr. YOUNG. Let me read this telegram in the record right here.

Dr. WILSON. All right.

Mr. YOUNG. It was just handed to me. This is dated March 19. It says [reading]:

I give below resolutions Nos. 1 and 2 to-day passed by the Cattle Raisers' Association of Texas. It was a fight to the finish between the cattle producers and friends of the packers:

RESOLUTION NO. 1—FEDERAL LEGISLATION.

Whereas we believe it has been fully shown by the reports of various investigations and hearings that a monopoly exists in the slaughter of live stock in the distribution of the products thereof, which conclusion is substantiated by experience covering many years of raising and marketing live stock; Therefore be it

Resolved, That the Cattle Raisers' Association of Texas urge upon the Congress of the United States that immediate legislation be enhanced that will supervise the packing business by a national agency so as to deprive large packers of the powers that have lead to the creation of the practical world monopoly of important food supplies. We demand legislation that will enable small, independent packers, that do establish themselves at strategic points throughout the Nation for the slaughter of live stock, the ability to command from the transportation systems the same service at the same cost to the great consuming centers of the Nation as are now or may be accorded to the large packers. We demand legislation that will encourage the formation of cooperative organization for the handling and distribution of perishable food supplies in centers of population.

That is the first resolution.

The second resolution is a protest against the investigation of the Federal Trade Commission as now being held or contemplated being held at Chicago and stating that if they are to have such an investigation that it ought to be held at Washington, the seat of the Government.

(Resolution No. 2, referred to by Mr. Young and submitted by him, is here printed in full as follows:)

RESOLUTION NO. 2.—FEDERAL TRADE COMMISSION.

Whereas the Federal Trade Commission, by making a thorough, painstaking, capable, and honest investigation of the meat packing industry, have brought upon themselves the combined attack of all those interests of the Nation that thrive by special privilege and monopoly and that have entrenched themselves behind the vast aggregations of accumulated capital now: Therefore, be it

Resolved, That we, the Cattle Raisers' Association of Texas, urge every American who has a sense of fair play and who has the desire to see justice done to those servants of the people who faithfully serve them to protect against the investigation of the employees of the Federal Trade Commission being held in the city of Chicago, the center of the influence and domination of the five large packers, as now provided by the Senate resolution. We insist that the place for this investigation is at Washington, the seat of government. We urge that our members and the home owners and home builders of America generally use every means of publicity at their command to secure a hearing of these charges against the Federal Trade Commission and the employees of the Federal Trade Commission at the seat of government in the city of Washington in order that justice may be done.

Mr. TINCHER. What is the date of that?

Mr. YOUNG. March 19, 1920. It is a very large convention at Houston, and composed of some very brainy men.

Mr. TINCHER. This is the convention Mr. Weld has gone out to make a speech to.

Dr. WILSON. You have no idea as to whether that was unanimous or not?

Mr. TINCHER. Oh, it was, because Mr. Weld left here to go there.

Dr. WILSON. My information was that it was not unanimous; my information is that there were 271 votes against it.

Mr. TINCHER. Naturally there would be, because the brainiest man in the meat-packing business in the United States, a former professor of a college and now working for Swift & Co., left this city and these hearings to go out there and address that meeting.

Mr. ANDERSON. That was a very important convention in view of the fact that the packers' principal witness would be here where he was appearing before a congressional committee to go down there to convince the people that the packers were all right.

Mr. BORDERS. I think that if my information is correct it is perfectly wonderful that there were as many votes against this resolution as there were. My recollection is that there were 299 votes in favor of this resolution; and that, according to Congressman Young, the Texas Cattle Raisers Association has a membership of 7,000.

Mr. YOUNG. I did not state the membership.

Dr. WILSON. It is about that.

Mr. YOUNG. It is a very large association.

Mr. BORDERS. I would say 4,000—I am sure you are safe on 4,000. Out of a membership of 4,000, that there should be only 299 in favor and 127 against it—particularly in view of the present market conditions, because if the average man does not get a profit, does not get what he thinks he is entitled to, he does not stop to argue economic conditions, the reasons or the causes, either on these matters, election matters or anything else; he is only interested in how it affects him, and yet with that condition, 299 in favor of a resolution of that sort, and 127 against it—I want to say is cause to this committee and to Congress to study this question pretty carefully, and particularly in view of what is involved in this resolution. This resolution, the first part of it, as I got it—I never heard it before—is merely that the smaller packer be given the same privilege that the big packer has, and then the fact is—and it is indisputable—that under this decree the small packer, if there is anything in this contention, is given an advantage, because the big packer is taken out of all the unrelated lines.

Mr. ANDERSON. Not quite.

Mr. BORDERS. Well, yes——

Mr. ANDERSON (interposing). I will bet you that everything in that decree was not 10 per cent of Morris & Co.'s business or even 5 per cent.

Mr. BORDERS. When you come to that, out of all the cry created about monopoly of the American table in those unrelated lines, the total amount done by all the big packers was not 3 per cent of the total unrelated business, and yet everybody in this country was led to believe there was danger of monopoly.

Mr. ANDERSON. They were thinking about cheese, butter, and cottonseed oil.

Mr. TINCHER. I know that proposition, and I want to make this suggestion, that I think Mr. Weld, with his reputation as an expert on marketing, his former associations with our colleges and schools and his former membership in these marketing bureaus, with his shrewdness and his absolutely unlimited knowledge of this matter, going fresh from the seat of the Government and addressing a convention of that kind he did not carry more of them off of their feet and did not have more votes than that against any resolution advising Government regulation of the packers, is a distinct surprise. I think the gentleman must have taken cold and been hoarse when he was making his address.

Mr. **Rainey**. Did he really impress the gentleman from Kansas that way?

Mr. **Tincher**. I think he is as bright a man and as well posted on the subjects in which Swift & Co. are interested as any man I ever had the pleasure of meeting.

Mr. **Borders**. Mr. Congressman, this is not a matter of men. There is a big question involved here. I want to make this further suggestion about this resolution, which is even more remarkable——

Mr. **Tincher** (interposing). Where did you get the voting results in that convention?

Mr. **Borders**. Somebody showed me the telegram.

Mr. **Tincher**. From whom—from where?

Mr. **Borders**. From Houston. I simply say it is an error, and I dare say the total—and if I do not state it correctly I would like to be corrected.

Let me make this further statement, Congressman, that this same convention last year passed unanimously a much more drastic resolution than this, which shows that even there, which has been a hotbed of the opposition against the packers, which shows that even now, in the face of these adverse market conditions, for which the packer is not responsible—and any thinking man who has studied this situation knows it—should be further convincing of the fact that they are now divided, as they are in that place, where unanimously, last year, with a more drastic resolution, that they are turning around on this very proposition.

Mr. **Tincher**. On this marketing proposition right now, the producer down there has no fat cattle. The market condition as to stockers and feeders to-day is probably the best it has been for a good many months; is not that true?

Mr. **Borders**. I have been here for several weeks, and I have not kept in close touch with the market. But, of course, we all understand market conditions the past six months have not been as satisfactory to the producer.

Mr. **Tincher**. In the last few weeks it has been better in respect of the market on stockers and feeders.

Mr. **Borders**. I would not disptue that.

Mr. **Tincher**. And, I think, particularly within the last two days; that has been my observation from the papers I have read.

Mr. **Borders**. I hope that is true.

Mr. **Tincher**. And perhaps that was explained at the convention. I do not know just what the speech was.

Mr. **Marsh**. May I ask a question? I understood Mr. Borders to object to the fact that the farmers and live-stock producers are doing any thinking on this cause for themselves, and to reter to the fact that they are being carried off their feet. Does he not think these people have any brains of their own? Have they got to have a "thought controller" in tho person of a packer?

Mr. **Borders**. I hate to have to answer a statement of that sort, but I think the members of this committee will bear me out that I have never made any statement to this oommittee—and I hope I may never make a statement anywhere—that would justify the conclusion and inference sought to be drawn. And that is all I care to say on that subject.

We are discussing too deep a question to go into that sort of thing. I say that the producers of this country are the very best men the country has. I never have intended by thought or action to pass any imputation on the intelligence or the integrity of the producers; on the contrary, our sympathy and our cooperation is with them, and I do not see how anybody can sit here and put that sort of conception on anything I have said.

Mr. MARSH. Mr. Chairman, in proof of their capacity I ask that the second resolution adopted at the live-stock convention of the Texas live-stock growers be read.

Mr. YOUNG. It has gone into the record.

The CHAIRMAN. You offered that for the record, Mr. Young?

Mr. YOUNG. Yes.

The CHAIRMAN. Did you read it in?

Mr. YOUNG. I stated the substance of the second resolution.

The CHAIRMAN. And you offer the second resolution for the purpose of the record?

Mr. YOUNG. Yes.

The CHAIRMAN. Without objection it is ordered incorporated.

Dr. WILSON. I just want to call Mr. Anderson's attention to a question he asked me just before this controversy started, as to whether I thought Mr. Weld would leave a meeting of the congressional committee and go down to Texas. I will say that if Mr. Anderson has ever been to a Texas convention he would not have asked an answer to that question.

Mr. ANDERSON. I have been to one or two conventions in my brief and uneventful career.

Dr. WILSON. And, knowing that——

Mr. ANDERSON (interposing). I have even left sessions of Congress to go to a convention.

Dr. WILSON. And by that I infer you would naturally rather go to a Texas convention than to come here. I know I would.

Mr. ANDERSON. I was just wondering, however, if the relative importance of the inquiries was to be judged by Mr. Weld's action.

Dr. WILSON. It has passed and gone through, if I can remember correctly, practically every State convention held up to date of the woolgrowing States, and, as I said, woolgrowing is changing its aspect, because the most of the woolgrowers own cattle, and in the Northern States and the Northwest the mass of the cattle growers own sheep; and they have been against this bill since the beginning. I had an invitation to go to the Cattle Growers' Association in Arizona. Last year they called the executive committee and they rescinded their action on these bills in the spring meeting. A telegram was sent to Senator Kendrick, in which it is said only a few did that and that it did not represent the cattle growers of Arizona. At the Cattle Growers' Association Mr. Mullen—I do not know whether he is here now, he was here awhile ago—was present.

Mr. TINCHER. I think we had his testimony.

Dr. WILSON. Yes; he has probably given his testimony. Talk of parliamentary laws and regulations—Mr. Mullen just tramped them all over. And I will show you where he tramped them over. The ordinary procedure there was for an organization committee to report. That organization committee reported, and reporting they named the officers of the convention—the president, at least. There were eight members on that committee, as I recollect, or nine, it may be; and they brought in a report indorsing Mr. Mullen for the next president, and there was a minority report of one indorsing a young man who was there, a good man, and everything of that kind—no objection to him—and the motion was put, and the majority report—the one putting Mr. Mullen in the nomination for president—was carried heavily, and it was finally decided to take a standing vote. When they took that standing vote there was no comparison, and therefore the minority stood up and there were but five. So that Mr. Mullen under the rules and regulations was absolutely elected. Mr. Mullen got up and he said "Gentlemen, if there is any contention in regard to this or any doubt, I ask the committee on organization to withdraw the report." And they did that. Mr. Mullen said, "Now, the bars are down. Go and elect your officers." Mr. Mullen was nominated in a speech, and so was the other gentleman. I checked off the vote. I can not remember just now, but it was at least 3 to 1 in favor of Mr. Mullen.

There was a resolution read that mixed up the Forest Service with these bills. It was carried. There was some objection to it, and Mr. Mullen threw that off again, and carried it in the ordinary, regular way. They finally decided to appoint a committee to investigate this, and they were to report later to the executive committee, and the executive committee had the power to cast the vote of the convention, before the ballot was taken. But Mr. Mullen, "To be fair, threw that away," as he did in his own election; and he was elected by a vote of 3 to 1. Mr. Mullen made a talk after the meeting. He said: "Gentlemen, I do not take this as an indorsement of myself. It is not Mullen you are voting for, but it is a protest against the passage of these bills, and with that my personality has absolutely nothing to do. But I have been against these bills, and it is entirely an indorsement of my action."

That was the condition in the Cattle Growers' Association.

The young man was beaten, I think, by a 3 to 1 vote.

Mr. Anderson. There is no parliamentary law that would prevent that convention from passing the resolution in opposition to these bills, if it was wanted?

Dr. Wilson. It was passed, and Mr. Mullen knew it.

Mr. Anderson. Of course, the chairman of the convention down there may have more power than in the ones I have been to, but I supposed that when a resolution was passed by a convention it was conclusive.

Dr. Wilson. It was. He just threw parliamentary usages to the dogs and went on simply in order to give everybody a show.

Mr. Anderson. I never heard of that as being the way "to give everybody a show." It always seemed to me that the way to "give everybody a show" was to stick to parliamentary usages.

Dr. Wilson. I objected to what he did; he ought to have let the thing go. He was elected absolutely, and then he was elected absoutely a second time by a similar ballot where everybody voted.

Mr. Anderson. The fact still remains that if that convention had wanted to pass a resolution against these bills it had an opportunity to do it. You say they did do it?

Dr. Wilson. They did.

Mr. Anderson. Mr. Mullen says they did not do it, and they elected him instead.

Dr. WILSON. If Mr. Mullen is here, I would just like to ask him if that was not done. They did not pass the resolution. No; because it was withdrawn by Mr. Mullen. They had passed it that time.

Mr. ANDERSON. All right. I do not think it is important anyway.

Dr. WILSON. No; it is not important, only so far as showing the difference in some conventions.

I want to read you an extract from Dean Davenport. I am going to quit this part in a few minutes.

Mr. ANDERSON. Mr. Chairman, we can not finish with Dr. Wilson this morning, and I would suggest a recess.

The CHAIRMAN. How much longer do you think it would take?

Dr. WILSON. I think I can get through in 20 minutes; that is, depending on the number of questions I am asked by members of the committee.

Mr. ANDERSON. I still desire to ask the doctor a good many questions.

Mr. VOIGT. Let us adjourn until 2 o'clock.

The CHAIRMAN. Without objection, the committee stands at recess until 2 o'clock this afternoon.

(Thereupon, at 12.12 p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. Doctor, you may proceed.

STATEMENT OF DR. J. M. WILSON, OF McKINLEY, WYO.—Resumed.

Dr. WILSON. I will say, Mr. Chairman, that I made some allusions to the League of Nations bill and two or three members of this committee asked me to read the resolution about that into the record. If there is no objection, I will read it into the record with a statement of this kind. It was adopted first by the National Wool Growers' Association and afterwards adopted by the American National Live Stock Association, and without a dissenting vote in either convention, so that it would look like it is the sentiment of the stock men in regard to the League of Nations:

> Whereas the armistice has been signed for over a year and the country is full of unrest and there is an uncertainty in regard to the future that should be allayed as soon as possible: Therefore be it
>
> *Resolved by the National Wool Growers' Association*, That the Senate—

I am reading from the wool growers' resolution, and I might add there also the American National Live Stock Association, because they adopted it word for word—

> That the Senate of the United States, as soon as possible should enact into binding statute the league of nations pact, safeguarding American interests to the fullest extent by all the reservations that they deem necessary to secure this result. Reservations must be so strong as to leave no doubt as to any constitutional limits. The American Constitution must be preserved in all its Americanism and for the perpetuity of the Nation. If the league can not be passed in this condition, then declare the war at an end so far as the United States is concerned.

The CHAIRMAN. That was adopted by what association?

Dr. WILSON. By the National Wool Growers' Association and the American National Live Stock Association—by both of them.

The **Chairman**. That expresses the sentiment of the people of that community?

Dr. **Wilson**. It certainly does, because there was no objection.

Mr. **Brooks**. Dr. Wilson, for the information of the chairman, state the membership of each association.

Dr. **Wilson**. I should judge that the actual membership and the working membership of the two associations probably would run up to 100,000.

Since I have been asked to read that resolution, I would like to read another one which is a request to Congress. This is a short resolution that is respectfully referred to the Congress of the United States and is entitled "Draft evaders," and if I recall correctly—I can tell by looking at some papers—it was also adopted by the American National Live Stock Association:

> Whereas during the recent Great War of self-defense conducted by the United States and her Allies, many aliens who have long been running sheep or cattle on the public domain of the United States and who have been enriching themselves thereby, claimed and secured exemption from draft on the ground that they were aliens; and
>
> Whereas those aliens pursued their business during the course of the war, enriching themselves at the expense of American stockmen who were making every sacrifice in the interest of their Nation: Therefore be it
>
> *Resolved*, That we respectfully petition the Congress of the United States to take such measures as will forever prevent all aliens, who have been using the public domain for grazing sheep or cattle, and who claimed exemption from the draft on the grounds of noncitizenship, from again using the public domain for grazing purposes or from taking up public lands under any of the land laws of the United States.

That resolution, I think, was also adopted by the American National Live Stock Association, was it not, Mr. Tomlinson?

Mr. **Tomlinson**. I am not certain, but I think it was.

Dr. **Wilson**. That is my recollection.

Now, gentlemen, I will only take a few more minutes of your time, and I want to read two or three extracts and then close and be through, if the committee will let me.

This is an axtract which I started to read just when we adjourned, and it is an extract from Dean Davenport, of the Illinois Agricultural College. He says:

> I am satisfied that much more is to be gained by entering into conference with the packers, for example, than by fighting with them, giving them clearly to understand that all hands must lay their cards upon the table and find the best ways of handling as well as of producing meat, that they must work out that problem together until it is really solved. * * * In bringing about this understanding cooperative relation, however, two difficulties are bound to appear. As long as the farmer is fighting the packer, he will not be suspected of ulterior motives; but the moment he begins to come in conference with him around the table, even the members of our own associations will begin to question whether or not the officers and directors may not be hobnobbing with the octopus. This is small business, but it will appear in the order of procedure. Another thing that will appear is this: If the farmers through their associations and the dealers through their organizations really do succeed in finding ways of cooperation whereby most of the hazard may be taken out of production and some of the difficulties eliminated, that animal of 7 heads and 10 horns, known as the public will begin to prick up its ears and say: "Go to now. There is a combination between the farmers and the distributors that must be broken up."

That is from Dean Davenport, of the Agricultural College of Illinois.

Here is a very short statement from a speech delivered by Elihu Root to the Republicans of New York State:

> There is a double immediate purpose to be served. One, to restore the habit of freedom. It is dangerous for a people to acquire the habit of bowing to power without

limits. They soon become subservient, and then character essential to freedom degenerates. The other is to stop a multitude of interferences, ill-judged although well meant, with the natural course of business through which alone natural laws can operate to restore normal conditions.

This is an extract from Roger W. Babson, of Babson's Statistical Organization, which, as a matter of course, this committee understands and knows as much about as I do, and more, and it is directed partly to Congress, and I think we can all learn something from it:

The need of the time is not more legislation. The need of the time is more religion. It is needed everywhere, from the halls of Congress to the factories, mines, and forests. It is one thing to talk about plans and policies, but a plan and policy without a religious motive is like a watch without a spring or the body without the breath of life. The trouble to-day is that we are trying to hatch chickens from sterile eggs. We may have the finest incubator in the world, but unless the eggs have the germ of life in them all our efforts are of no avail. The solving of the labor situation is wholly a question of religion. The wage worker will never be satisfied with higher wages and shorter hours, any more than you and I are satisfied with more profits and bigger houses. Things never did satisfy anyone and never will. Satisfaction and contentment are matters of religion. Communities and industries where right motives are paramount have no serious labor troubles.

It goes on further along that line and says:

Not long since, the people of Pittsburgh found in the Leader, one of the principal afternoon papers of the great city of Pittsburgh, a leading editorial under the heading, "Man's extremity God's opportunity." We make these extracts:

"Human management of the universe is failing. Without divine intervention the world and its people will plunge into chaos. The people of America must go down on their knees and ask for divine aid. In prayer alone exists hope. There has been too little spirituality in our activities. Our needs have grown while our souls have shrunk."

This was written by Mr. Moore, who is the owner of the paper, and it was his wife who suggested it, and his wife is Lillian Russell:

Henry Watterson, or "Marse Henry," as he has come to be known throughout the country, a man who has not achieved a reputation as a spiritual man, recently said in the course of his autobiography, appearing in one of the current magazines:

"We are variously told that the church is losing its hold on men. I don't believe that is true. Never in the history of the world was Jesus of Nazareth so interesting and prominent," etc.

Lord Robert Cecil, of England, a few months ago, in speaking on the Peace League, said:

"If we rely on the provisions of the covenant to preserve peace, we shall be living in a fool's paradise. In the application of the principles of Christianity to international relations lies the only solution of the problem. * * *"

Has God been dethroned? Marshal Foch, the commander in chief of the allied armies, did not think so. Each day he retired to his church and prayed to God for divine guidance in carrying through to a successful conclusion the task which had been committed to him. Alvin C. York, to whom Marshal Foch said, "What you did was the greatest thing accomplished by any soldier of any of the armies of Europe." did not think so, for he freely says that it was God to whom he prayed, who gave the power to his arm and the keenness to his sight, and who sustained him; and he is giving his life to the Christian ministry.

I want to thank the committee for their courtesies and kindness and patience, and I will simply say this in closing: This bill has good features in it but to my mind it has a great many that are not good; a great many that will be detrimental to the interests of the country; and I want to say for myself, I believe in Almighty God and His attributes, and I also believe in the final good sense and judgment of the American Congress. I thank you.

The CHAIRMAN. We are very grateful to you, Doctor.

Mr. TOMLINSON. Mr. Chairman, may I ask a few questions? Dr. Wilson, yesterday you referred briefly to the organization of the

Cooperative Live Stock Commission Co., in which I believe you were a prime factor. If I remember correctly, that was in 1906.

Dr. WILSON. It has been a good while ago. I do not remember now.

Mr. TOMLINSON. You then represented, I believe, the National Wool Growers and you and Mr. Crosby represented the wool interests in that organization, did you not?

Dr. WILSON. I never was a member of it.

Mr. TOMLINSON. You were one of the directors of the Cooperative Commission Co., were you not?

Dr. WILSON. I may have been, but I was never at a meeting after it was organized.

Mr. TOMLINSON. You were at the meeting when it was organized, were you not?

Dr. WILSON. I think I was; yes.

Mr. TOMLINSON. Now you will remember very distinctly that the question at issue then was the advance in commission charges by the live stock commission firms at the different markets?

Dr. WILSON. That is what caused the association to be formed.

Mr. TOMLINSON. And the advance was $2 per car on sheep and $2 per car on hogs. The cattle commissions were not disturbed. You probably also recall that at the meeting in Denver, held at the Brown Palace Hotel—I remember very distinctly you were there—we canvassed the situation very carefully to try to find out what methods of redress we could have for this advance in commission charges and we took counsel from attorneys on the matter; do you remember that?

Dr. WILSON. I remember there were several conferences and a great deal of work done.

Mr. TOMLINSON. And we finally determined that there was no redress except through, possibly, the organization of a cooperative commission company, and you were one of a special committee of three or four, I think, and one of the other members was Mr. Murdo McKenzie, who went to Chicago, as you related yesterday, to confer with the packers and others as to whether they would buy our stock, and whether we could get facilities at the yards and offices in the Exchange Building; you were a member of that committee, were you not?

Dr. WILSON. I was.

Mr. TOMLINSON. Whom did we see down there? I believe you said we saw the packers.

Dr. WILSON. Mr. McKenzie had written to the packers or had gone and seen them, and we met them, several of them. I do not know who, exactly, but I think Mr. Meeker was one, and I know that the late Edward Morris was one; but I do not know about the others. We saw several of them.

Mr. TOMLINSON. What assurances did they give to this committee?

Mr. RAINEY. Was it Mr. Edward Morris or Mr. Nelson Morris?

Dr. WILSON. Mr. Edward Morris. It was the father of these boys What was your question, Mr. Tomlinson.

Mr. TOMLINSON. What assurances did the packers give to the committee, as you recall it?

Dr. WILSON. They said: "We will buy without any discrimination any stock that comes to us, whether yours or others, but as to the building and getting into the exchange or into the yards we have absolutely nothing to do with that."

Mr. TOMLINSON. Now, did they not also deplore very much that the producers found it necessary to start a commission company and hope that the matter could be adjusted without the organization of such a concern?

Dr. WILSON. I don't think they did. Just wait a moment, they did say this: "You people ought to try and fix your grievances and go to see those people, but if you can not fix them we will buy from you just the same as we buy from anybody else, and you will have the same selling facilities so far as we are concerned that every other outfit has."

Mr. TOMLINSON. They explained, however, that they were members of those live-stock exchanges and they were rather reluctant about doing anything contrary to the rules of the exchange.

Dr. WILSON. I do not think they did.

Mr. TOMLINSON. And therefore hoped we could fix it up?

Dr. WILSON. They suggested that we fix it up or ought to fix it up.

Mr. TOMLINSON. Do you recall whether I was a member of that committee or with them or not?

Dr. WILSON. I think there was Mr. Fred Gooding——

Mr. TOMLINSON (interposing). Was I along with the committee?

Dr. WILSON. I think you were, and George Walker, secretary of the Wool Growers Association, was along.

Mr. TOMLINSON. Yes; and Murdo McKenzie?

Dr. WILSON. Murdo McKenzie was the head of the deal.

Mr. TOMLINSON. Then the committee went to the stockyards, the Chicago Union Stockyards, in which no packer had the slightest interest at that time, and we did secure facilities in the yards and in the building, did we not?

Dr. WILSON. We did.

Mr. TOMLINSON. Then the committee also went to Kansas City which was then an independent yard and secured similar facilities, did we not?

Dr. WILSON. We did.

Mr. TOMLINSON. Now, there were a good many Wyoming sheep men who had subscribed to the stock of the Cooperative Commission Co., among others yourself, I know.

Dr. WILSON. I did. I do not know whether there were many others or not.

Mr. TOMLINSON. Well, I will state it as a fact that there were quite a sprinkling of members in Wyoming and Idaho. You recall the fate that that commission company encountered in the vicissitudes of its attempt to do business on the market, do you not?

Dr. WILSON. I know they failed and the stock was absorbed. Now, that is about the amount I know about it.

Mr. TOMLINSON. You never shipped to the company, did you?

Dr. WILSON. They never had an agency where we shipped.

Mr. TOMLINSON. As a matter of fact, Dr. Wilson, at the time this company was in operation the bulk of the sheep from Wyoming and Idaho went to Chicago, did they not?

Dr. WILSON. Not in our part of Wyoming; no. We have shipped to Omaha for years and years. We have not shipped anything to Chicago, I do not believe, for 15 or 18 years.

Mr. Tomlinson. If I state it as the fact that more than half of the shipments of sheep from Idaho and Wyoming went to Chicago, would you think I was incorrect in that?

Dr. Wilson. No; I think most of them from Idaho and the western part of Wyoming, along the U. P., did go there.

Mr. Tomlinson. Yes. Now, assuming that a great number of sheep from those sections did go to Chicago, and we had a good many members of the Cooperation Commission Co. in those two States, would it not seem astonishing to you that none of the members of that concern in Wyoming and Idaho ever shipped a single hoof of stock to that company?

Dr. Wilson. Ordinarily, it would, but if they did not have the selling service that their original commission men had, it would not.

Mr. Tomlinson. You will remember Mr. J. C. Eastes, who was the head of the sheep department of the Cooperative Commission Co. at Chicago, do you not?

Dr. Wilson. I heard of him, yes; but I never knew him.

Mr. Tomlinson. He is now head of the W. R. Smith Commission Co.

Dr. Wilson. No; I did not know Mr. Eastes.

Mr. Tomlinson. What I wanted to lead up to was whether you sheepmen felt that the assurances given you by the packers that they would treat you fairly were sufficient to warrant their shipments to that company, and whether the failure of the sheepmen to ship to that company meant that they were not entirely certain in their minds that the packers would give them a square deal.

Dr. Wilson. That had absolutely no effect whatever.

Mr. Tomlinson. I had a great deal of correspondence with you at about that time, Doctor, where I pointed out that despite the fact we had a good sheepman at Chicago and were encountering no difficulties down there, and despite the further fact that we had a great many stockholders in Wyoming, that up to the time the company went out of business there never had been a single hoof of sheep shipped to the company; do you remember that correspondence?

Dr. Wilson. The principal part of it. I remember letters of that kind, yes; certainly.

Mr. Tomlinson. The company, according to your recollection, failed. What was your understanding of the reason?

Dr. Wilson. They did not get business enough. It was not profitable.

Mr. Tomlinson. Do you recall that the company was boycotted by the exchanges and the traders?

Dr. Wilson. We expected that when it was started.

Mr. Tomlinson. You remember that there was a boycott?

Dr. Wilson. I do not remember that there was; no, I do not know.

Mr. Tomlinson. You heard that it had been boycotted?

Dr. Wilson. Yes, I did; but I did not know it.

Mr. Tomlinson. You had heard also that the company filed a suit against certain traders at Kansas City and secured a judgment, did you not?

Dr. Wilson. Yes.

Mr. TOMLINSON. A judgment aggregating some $56,000 of damages, which was reversed in the Missouri courts; do you recall that?

Dr. WILSON. No; I do not. I did not follow that part of it up at all.

Mr. TOMLINSON. Now, during the time of the existence of the Cooperative Commission Co. at Chicago, which grew very steadily up to one point, that was marked by a very fateful day, which I think you will recall; it was a day when the Cooperative Commission Co. had about 110 cars of live stock in their pens at Chicago, and it was impossible to get a buyer from the packers to come and look at that stock during the entire morning, and they bought them late in the afternoon. Do you recall that instance?

Dr. WILSON. I do not; but simply because I do not recall it now, I do not want you to understand me as saying that it is not so. I was simply not paying any attention to that at that time.

Mr. TOMLINSON. Well, do you recall that the commission men informed all stockmen throughout the country that the packers were not treating the Cooperative Commission Co. fair and that they could not sell their stock as high as the other firms; was that a pretty general campaign?

Dr. WILSON. I do not remember anything of that kind at all, Mr. Tomlinson.

Mr. TOMLINSON. The company, however, lost all its capital and finally had to go out of business through opposition of some of the interests on the yards; was not that your understanding?

Dr. WILSON. My understanding is we did not get business enough to make it pay.

Mr. TOMLINSON. Well, that was because the stockholders did not have enough confidence in the ability of the firm to get the same price that anyone else did.

Dr. WILSON. No; I do not think it was that. I think it was more this: They had been doing business with certain commission houses and a great many of them were under obligations to those commission houses for loans and so on, and very naturally they would not quit the commission house until they had the loans covered, and I do not remember whether we had made any arrangements for getting money or anything of that kind in the company.

Mr. TOMLINSON. And you think it is not strange that none of our stockholders in Wyoming and Idaho among the sheep men shipped to the Chicago house at all?

Dr. WILSON. I told you why we did not ship, and that was because we did not ship to Chicago. Now, what reasons the others had for not shipping, I do not know, but I think a great deal of it was just as I have stated, that they were under obligations, financial obligations. At that time I know that Clay Robinson & Co. had an immense line of loans in Wyoming, and also the other big company there in Chicago, the one nearest to Clay Robinson & Co., Rosenbaum Bros.—they had an immense number of loans in Wyoming. At that time our own company did not owe anything to any commission house.

Mr. TOMLINSON. At the preliminary meeting, previous to the organization of this company, do you recall very distinctly that we felt that we had no redress through the Government or the laws other than by establishing our own company?

Dr. WILSON. I suppose that was it, because we would not have established it at all unless we had thought that had been so.

Mr. TOMLINSON. And we anticipated a good deal of opposition on the part of these exchanges and traders and were a little fearful about the attitude of the packers, and that is the reason we went and saw them, was it not?

Dr. WILSON. That was the reason we went to see them.

Mr. TOMLINSON. Now, this morning you referred to a possible loss of export business by reason of the Federal Trade Commission and the distrust and lack of confidence that has been engendered in these foreign consumers on account of the attacks on the packers in this country. You remember very well when the meat-inspection law was enacted and when there was the same attack on the purity of our meats, that foreigners were not inclined to use them because they claimed they were not put up under sanitary conditions?

Dr. WILSON. Yes.

Mr. TOMLINSON. And as a result, they enacted the so-called meat-inspection law, so that to-day our meats have the highest standing of any meats in the world. Now, it has occurred to me that possibly the creation by Congress of a commission to supervise and regulate the meat-packing industry might have as beneficial an effect on our industry, so far as allaying any distrust or suspicion or removing it goes, as the meat-inspection law has had. Do you not think that the creation of such a commission might stimulate rather than retard our exports of meat products?

Dr. WILSON. I do not.

Mr. TOMLINSON. That is all.

The CHAIRMAN. We are very grateful to you, Doctor.

Mr. MARSH. May I ask a few questions, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. MARSH. May I first correct an evident misunderstanding on the part of Dr. Wilson in the reference he made to-day to a report by the Department of Agriculture on farm-land values. Let me read from that report exactly, because it bears directly on the problem of producing live stock and shows that the farmers are not the ones responsible for it. I am quoting verbatim from this report of the United States Department of Agriculture, Office of Information, entitled, "Farmers Warned of Danger in Rapidly Rising Land Prices."

Mr. MCLAUGHLIN of Michigan. What is the date of that?

Mr. MARSH. I can not find that. It is marked "Release—Immediate." My recollection is it was about August or September last year. I could find out the date for you if you wanted it, because it is from the Department of Agriculture. It was several months ago and it may have been as late as December:

> Large numbers of people dwelling in cities and towns who are not farmers have been making large profits buying and selling farms. In numbers of cases bankers, merchants, real estate men, and persons in other occupations have made profits of from $10,000 to $30,000 on single transactions. This tendency represents in effect a process of transferring the ownership of portions of rural wealth to persons who are not farmers. In one form or another toll will be levied on the farming industry to pay interest on these speculative profits. Wealth that should constitute a permanent basis of rural well being is being subtracted from the resources of rural communities, and this is true even though farmers nominally may own the farms when the process is completed.

I do not want to take your time, Mr. Chairman, and members of the committee, to read further from that statement, but I think that puts an entirely different construction on it from the one Dr. Wilson seems to give.

Dr. WILSON. I beg your pardon; I do not think it does. My idea was that property was getting too high and that it could not pay interest on those values.

Mr. MARSH. And therefore?

Dr. WILSON. Therefore it ought to be stopped.

Mr. MARSH. Well, I want to make it clear that it is not the farmers who are getting these profits.

Dr. WILSON. I beg your pardon. I did not say it was the farmers who are making the profits. I said that it was the land and not farmers. I do not think I used the word "farmers" at all. I may have but I do not think so.

Mr. MARSH. I may have misunderstood you, but I thought you did.

Dr. WILSON. I was talking about the land and about land values.

Mr. MARSH. But the point is this, that it is not the farmers.

Dr. WILSON. I did not say it was.

Mr. MARSH. Well, I concede that, if I misunderstood you, because I do not mean to dispute your statement at all, but it is evident that we have got to have some action to protect the farmers, and I want to draw your attention to the fact and see if you will not agree with me because just immediately preceding my statement or since I started to speak, you made the remark we have got to do something to prevent it.

Dr. WILSON. No——

Mr. MARSH. I so understood you. We are in a position now where we have got to do something to prevent the packers——

Dr. WILSON (interposing). You misunderstood that. What I meant was that the Agricultural Department had said that something must be done to prevent it. I did not say it, or at least I did not mean to say it.

Mr. MARSH. I thought you did; all right; it is very difficult to get at just what you did mean to say and I did not mean to misconstrue anything you said. May I ask a few direct questions and perhaps we will see just what you do mean to say. I will not bring in the Agricultural Department in this connection at all. If you were an independent packing plant, just started, or a cooperative packing plant, would you feel you had the same chance under present conditions as the five big packers?

Dr. WILSON. I will answer that with the statement made to me by my friend, Mr. Hammond, in Cheyenne, who as I stated owns the plant absolutely, he and his sons, with the exception of one share of stock that was given to Mr. Draper, an old friend of Mr. Hammond's, who is in partnership with him in a hardware store. Mr. Draper was a bookkeeper and he gave him this share of stock so that he could take care of the books and be secretary of the company. Mr. Hammond says that he has no trouble whatever with the big packers. Now, in Denver, 105 or 125 miles from Mr. Hammond's packing plant, Armour has a plant, Swift has a plant, the Coffin Co. has a plant, and I think there are one or two other small plants, and he sells his products right there in Denver and all along the line. Now, if they were detrimental to him he could not sell and meet that competition, but he does.

Mr. **Marsh**. Again, you have not answered my question. You cited that testimony before the Senate Committee.

Dr. **Wilson**. Please go on and tell me what the question is.

Mr. **Marsh**. Will the stenographer be good enough to read it?

(The reporter read as follows:)

> If you were an independent packing plant, just started, or a cooperative packing plant, would you feel you had the same chance under present conditions as the five big packers?

Dr. **Wilson**. Knowing what I do; yes.

Mr. **Marsh**. You are speaking for yourself, of course?

Dr. **Wilson**. Well, that is what you asked me.

Mr. **Marsh**. All right.

Dr. **Wilson**. Yes; certainly.

Mr. **Marsh**. Now, I am going to another point, and my reason for asking these questions is that there seems to be pretty nearly unanimity on the part of the leading farm organizations and very close to unanimity or at least a majority of the members of the live-stock associations that they want this legislation.

Dr. **Wilson**. No; I challenge that statement. I am not challenging it with regard to the farmers, but with regard to the live-stock men.

Mr. **Marsh**. And the cooperative organizations are asking for this legislation. Now, you occupied a good many hours here in opposing it, and may I ask you specifically whether you oppose, and if so, why, having the railroads own the refrigerator cars?

Dr. **Wilson**. I think the best answer and the best evidence on that is the speech of the Federal Trade Commissioner—I forget his name.

Mr. **Marsh**. Mr. Colver?

Dr. **Wilson**. Mr. Colver, in that statement in his speech at Denver one year ago, I think it was—at the last convention at Denver, anyhow—he went on to say that they had put tracers on the railroad-owned cars and on the packer-owned cars. Now, I am speaking from memory and I won't vouch for the figures, but I think that the packer cars were at least one and a half times more effective than the railroad-owned cars.

Mr. **Marsh**. Now, let us see just what that means and what bearing that has upon the recommendation of the Federal Trade Commission that during the period of Government operation of railroads the Government should acquire the refrigerator cars, as the Government was operating the railroads. Now, that is just the point exactly, what you have just cited, why the small producers and independents and cooperative packing plants think the railroads should own the refrigerator cars, because with the packers controlling approximately 91 per cent of the refrigerator cars the packers are getting service which, as you have just quoted Commissioner Colver to prove, the little fellows can not get.

Dr. **Wilson**. No; what I think it proves is the inefficiency of the railroad administration compared with the packers.

Mr. **Marsh**. Would you have the packers own the railroads, too, then?

Dr. **Wilson**. On, no.

Mr. **Marsh**. That is the only logical deduction.

Dr. **Wilson**. Wait; I believe this: If they had the same efficiency and the same organization on the railroads they would not show the deficiency which they now show. I believe that firmly.

Mr. **Marsh**. Then you think they would make as much profit as the packers have made?

Dr. **Wilson**. They would at least have not run into the hole as bad as they have.

Mr. **Marsh**. Who would have paid those profits?

Dr. **Wilson**. The people, certainly.

Mr. **Marsh**. Precisely.

Dr. **Wilson**. But the people paid higher costs than we ever had paid before, and yet ran behind all the time.

Mr. **Marsh**. Just to keep the record straight, you must remember that railroad rates increased only one-half to one-third of what everything else increased, including the price of the packers' products.

Dr. **Wilson**. There is no question about that.

Mr. **Marsh**. All right; therefore, under your own admission, the Railroad Administration was infinitely more efficient than the packers were?

Dr. **Wilson**. No.

Mr. **Marsh**. You just admitted that.

Dr. **Wilson**. Now, you are putting a construction on it that I do not put on it.

Mr. **Marsh**. Then let me ask you this question, because there are two or three vital questions that have to be settled; you think on account of the efficiency of the packers they should be allowed to retain ownership of the refrigerator cars?

Dr. **Wilson**. I think they ought to be allowed to retain ownership of their packing plants—just give me a moment now to get through——

Mr. **Marsh**. Certainly.

Dr. **Wilson**. Of their packing plants, of their refrigerator cars that they absolutely need, and if they have more cars than they can use, then take some of them—and of all their facilities which they have built up, and that they should not be turned over to their competitors.

Mr. **Marsh**. Why?

Dr. **Wilson**. Why? Why should your things be turned over to your competitor?

Mr. **Wilson**. In order to divide up.

Dr. **Wilson**. If you want that, it is all right.

Mr. **Wilson**. That is the socialistic view, Doctor, to divide up with everybody, and I would like to divide up with the packers. I will put my pile in the pot.

Dr. **Wilson**. I will, too.

Mr. **Marsh**. I am very glad to get Mr. Wilson's answer on that point, but now let me ask you this question: Mr. Thomas E. Wilson is a fairly capable packer, is he not?

Dr. **Wilson**. You are making that statement; I have not.

Mr. **Marsh**. Well, I ask you the question; is he not?

Dr. **Wilson**. You ask the question?

Mr. **Marsh**. I thought you were just making the statement.

Dr. **Wilson**. He has that reputation.

Mr. **Marsh**. You do not deny that as to a man who gets $125,000 a year salary.

Dr. Wilson. I do not know that it is necessary for me to deny it or admit it. He has that reputation, of being competent.

Mr. Marsh. He knows something about the business, does he not?

Dr. Wilson. He certainly does.

Mr. Marsh. Now, here is what he said, and I am trying to find out whether you are really speaking for the little fellow or whether your fear about getting fair conditions of competition has quite honestly led you to take the other viewpoint, that the packers should be allowed to continue in the monopolistic control that they have. Here is what Mr. Thomas E. Wilson says—I presume he is no relation of yours—

> The little fellow has not any chance at all under present conditions to spread out depending on refrigerator cars, because he can not afford to have a repair shop of his own. He can not afford to own cars enough for that, and he can not have a staff looking after the expediting of cars, which is an expensive proposition and can only be maintained after you have a large business.

Now, you do not believe in building up things so that a little crowd of people can monopolize an industry or practically monopolize it, do you?

Dr. Wilson. I believe in giving every little man a chance. This bill does not do it.

Mr. Marsh. Of course, that is a matter of opinion, is it not?

Dr. Wilson. Well, my opinion is just as good as yours while I have reason for it.

Mr. Marsh. Yes; it depends a little on the reasons, of course.

Dr. Wilson. I say when I have got reasons; certainly.

Mr. Marsh. Now, you know that they are doing considerable cooperative work out in Nebraska, the Nebraska Farmers' Union; you know something about that, I assume?

Dr. Wilson. In a general way from the press reports; yes. I do not know very much about it. I know I served with the president of that association on a committee, the resolutions committee, in the trans-Mississippi conference.

Mr. Marsh. Mr. C. H. Gustafson.

Dr. Wilson. He was the president then, but that has been two years ago.

Mr. Marsh. He has been president for several years.

Dr. Wilson. And I know there was no disagreement on that resolutions committee on any question that came up, much. Of course, there was some little trimming down in places and so on, perhaps.

Mr. Marsh. I might remind you that that farmers' union——

Dr. Wilson. They have made a very wonderful increase in the last year.

Mr. Marsh. Yes; and they have indorsed this legislation and authorized us to represent them, urging exactly this legislation.

Dr. Wilson. And that resolutions committee at the trans-Mississippi conference went on record as absolutely opposing the licensing of any private business.

Mr. Marsh. Yes; and I have a letter——

Dr. Wilson (continuing). And that laws should be helpful and not destructive.

Mr. Marsh. And I have a letter on file in our office from Mr. Gustafson stating that the trans-Mississippi conference was a big business proposition and not the farmers at all. You know, of course, how big business is trying to corral all the farm organizations and to speak for the farmers.

Dr. Wilson. Well, there was no corralling there, because each group—we had at one time, I think, in Omaha—I was in the live-stock group, and my recollection is we had 18 different meetings going on at one time—live stock, wholesale grocers, bankers, transportation, and, I do not know what—but I think there were 18, if I recall correctly, and those various groups sent in resolutions. For instance, the railroad resolution sent in by the groups, if I remember right, was something like 50 to 75 typewritten pages; and while I was on the resolutions committee, on the live-stock group, I was also on the sifting committee, and we took those 50 to 75 pages of resolutions on the railroads alone and boiled them down to about 10 lines, and when we got through we had less space occupied with resolutions than any one single group had sent in.

Mr. Marsh. And when you got through with them, the resolution was just what the railroads wanted, was it not?

Dr. Wilson. I do not know.

Mr. Marsh. Well, I do; because I saw them.

Dr. Wilson. Well, if you do, I do not. It is what that committee wanted and what those people wanted.

Mr. Marsh. But you know that in these affairs when we are fighting with big interests, we have got to look back of the individuals as to what they are connected with and who pulls the strings.

Dr. Wilson. I know; but there were not any big men on that committee.

Mr. Marsh. I said, pull the strings.

Dr. Wilson. I do not think there were any strings pulled there.

Mr. Marsh. And the record here is that you do not agree with Mr. Thomas E. Wilson as to the refrigerator cars.

Dr. Wilson. If I do not agree with Mr. Thomas E. Wilson, that is because I do not agree with him.

Mr. Marsh. Yes; and you do not agree with him.

Dr. Wilson. Wait; you have not asked me if I disagreed with him on that point.

Mr. Marsh. I understood you to say you did not.

Dr. Wilson. No; you did not ask me that.

Mr. Marsh. You just said that you did not think the railroads ought to own the refrigerator cars and that the little fellows——

Dr. Wilson (interposing). No; I beg your pardon. What I said was that they should not take the refrigerator cars from the packers unless the packers had a surplus which they did not need.

Mr. Marsh. Well, it comes to the same thing, of course.

Dr. Wilson. Then, if that is your interpretation, let it go at that.

Mr. Marsh. In other words, you would leave the big packers in possession of this agency of distribution which, as you state, has given them a very much better chance to distribute their product than the other fellows can get. You would leave them in possession of those, would you?

Dr. Wilson. I would not take away their own facilities for doing their own business.

Mr. Marsh. You think the fellow who has got something that enables him to build up a monopoly is entitled to keep it, and "the public be damned."

Dr. **Wilson**. No, sir; I do not.

Mr. **Marsh**. Then how are you going to prevent it?

Dr. **Wilson**. I will simply explain it in this way. These men have built up those cars and they absolutely need them. They can not take a chance on having the railroads give them the cars on a certain date, and they must know absolutely that they have got them on hand. For instance, they get an order for so much beef or so much meat; that goes into the refrigerator cars. Those refrigerator cars must be taken and precooled, and that takes a day. Then after they are precooled they are loaded up the next day and shipped, and they must know where those cars are so as to be able to ship the amounts they have to ship, and it would put them at a disadvantage to have those cars taken and loaded with anything else, because if they were loaded with some other material it would take some time to disinfect them and make them so they could put meat in them again.

Mr. **Marsh**. I read into the record testimony on that very point showing that the packers often put only 10 per cent of goods that needed refrigeration into these refrigerator cars and get the special service on the entire contents, and therefore they evidently do avail themselves of their possession of these refrigerator cars or ownership thereof to get special advantages, not only in transporting perishable meat products or other perishable products, but nonperishable products, and that gives them an advantage over others.

Dr. **Wilson**. Are not most of their other products taken away from them by this decree?

Mr. **Marsh**. A good many of them are.

Dr. **Wilson**. Yes.

Mr. **Marsh**. But butter, cheese, eggs, and poultry products are not, and reverting to your earlier statement, you said that the big packers, if I understood you, should not be deprived of this expeditious service. Why should the little fellow be deprived of that service?

Dr. **Wilson**. That is up to the railroads and not up to the packers.

Mr. **Marsh**. Do you not think the Government has a little responsibility besides seeing to it that those who acquire a monopoly are maintained in that business?

Dr. **Wilson**. They have a right to do this, to give them all an equal chance so far as they can, but they have no right, and I have no right, to take from you a horse and wagon because I happen to need it.

Mr. **Marsh**. But you have a right to do this: If you own the street, you have the right to say you can not drive on my private way.

Dr. **Wilson**. On your private way, no; but on the public way I have.

Mr. **Marsh**. Well, who owns the railroads?

Dr. **Wilson**. They are not Government facilities, but they are public utilities.

Mr. **Marsh**. Subject to public control.

Dr. **Wilson**. Subject to control by Congress in certain ways.

Mr. **Marsh**. Then Congress has the right, if you are logical, to determine how they shall be used.

Dr. **Wilson**. Well, if you want by that to have me infer that they should not haul the packers' stuff, I would say no.

Mr. **Marsh**. No; I do not mean that.

Dr. WILSON. If you will tell me just what you are driving at and what you want me to say, I will say it.

Mr. MARSH. Oh, a witness who is willing to do that is no good.

Dr. WILSON. I will say it in my own way.

Mr. MARSH. Oh, yes; what I want to get at is your reasoning on this proposition. Since the packers admit frankly, it having been proven on them, that ownership of refrigerator cars gives them a special privilege, I would like to know why you think they should be retained in that privilege, and why you think the little fellow should not have an equal chance.

Mr. VEEDER. Mr. Marsh, pardon me, but with reference to this frank admission of the packers, would you please cite your reference so we can see just what it was.

Mr. MARSH. Yes; I will give you the page.

Mr. VEEDER. Where the packers admit that they have a special privilege?

Mr. MARSH. Yes. This statement of Mr. Wilson's.

Mr. VEEDER. You refer to the statement Mr. Wilson made?

Mr. MARSH. Absolutely; that is a point-blank statement.

Mr. VEEDER. I just wanted to find out what the statement was.

Mr. MARSH. Yes; does that answer you?

Mr. VEEDER. No; there is no admission there of any special privilege.

Mr. MARSH. No?

Mr. VEEDER. The proposition is there that the little packer who did not have capital enough to buy the cars is at a disadvantage with the man who has the capital to buy the cars.

Mr. MARSH. Precisely.

Mr. VEEDER. There is no special privilege in that. Either man, if he has the money to buy the cars, can buy the cars, and there is no special privilege.

Mr. MARSH. And do you mean to say that if the packers did not admit this fact that they would have made any compromise on it with the Attorney General of the United States?

Mr. VEEDER. Yes; I mean to say that that had nothing to do with it. Let me say this: Your proposition is that there is a special privilege in one man having the money which enables him to buy the cars where the other man has not the money, and that the man who has the money has a special privilege.

Mr. MARSH. I will read a lot of Mr. Armour's testimony if you want me to take your time.

Mr. VEEDER. I prefer to have your statement.

Mr. MARSH. I am proving the case against the packers from the admissions of the packers themselves.

Mr. VEEDER. Pardon me, you do not answer my question. You are very insistent on your questions being answered. Your proposition, I take it, is this: That the man who has the money to buy private cars has a special privilege over the man who has not the money to buy private cars; is that right?

Mr. MARSH. Are you going to let me answer?

Mr. VEEDER. I am waiting patiently.

Mr. MARSH. All right. There is nobody in the United States who does not know that vast aggregations of capital give the owners or those who control that capital the whip hand over their competitors.

If they did not know it before, they would know it from Mr. Armour's and Mr. Swift's and your own admissions right here, which I read in the record the other day.

Mr. **Veeder.** Then your proposition is that in order to remedy that situation, the Government shall step in and take from the man who has spent his money for these cars and give those cars to the man who has not spent his money for the cars, so as to equalize the position of the two men.

Mr. **Marsh.** Not for a minute.

Mr. **Veeder.** What is your proposition?

Mr. **Anderson.** The proposition is that the Government shall own and furnish them to both alike.

Mr. **Veeder.** And in order to own them the Government shall take them from those who have by their energy and by their foresight acquired them.

Mr. **Anderson.** The Government frequently does that under its power of eminent domain in the case of a transportation necessity and there is nothing new in that.

Mr. **Veeder.** Then the proposition is that the Government before being able to furnish the facilities to a man who has by his foresight built up such facilities shall destroy the better facilities so as to put every man on a level with the man who has the poorer facilities.

Mr. **Anderson.** Not at all. You are making an assumption which is not at all justified.

Mr. **Veeder.** And furthermore, why does not the law require the railroads to furnish the facilities for all, including the big packers.

Mr. **Anderson.** I think they should.

Mr. **Veeder.** So that the big packer will not have to invest his money and buy cars and operate them at cost or even at a loss.

Mr. **Anderson.** I think they should.

Mr. **Veeder.** So do I.

Mr. **Marsh.** Mr. Veeder was not here the Saturday afternoon when I was before the committee for three hours or he would not ask the question, although I am very glad to stress it again. That is what we are recommending, that the railroads should acquire all the refrigerator cars, paying the packers a fair price, and thereby put all on an equal footing in the use of refrigerator cars for those specific purposes for which they are intended, and will you not agree that there is no other way of getting equality for the little man.

Mr. **Veeder.** No; the proposition is——

Mr. **Marsh.** Will you answer?

Mr. **Veeder.** I am answering the question. The proposition is to destroy the present service before the railroads have built up another service which is equally as good. Let me tell you something, there is no such thing as a private car problem whenever the railroads will furnish the cars, or whenever the railroads will furnish the service, as common carriers, to everybody, including the big packer as well as the small packer. Nobody, big packer or small packer, is going to invest in cars which bring him a return on his investment of a less rate of interest than he can get by depositing the money in a savings bank. Just the moment the railroads furnish the cars and perform the service, the private cars will disappear, because nobody will invest in private cars.

Mr. MARSH. But the fact remains, does it not, that under the ownership of cars by the packers, they have had, as Dr. Wilson's testimony seems to show, a peculiarly rapid and expeditious service on the part of the railroads.

Mr. VEEDER. Well, let us give the other man the same peculiarly rapid service rather than to destroy an effective distribution of fresh-meat products.

Mr. MARSH. I am right with you, but is there any other way to do that?

Mr. VEEDER. There has been no expeditious service. There is no expedited service. They go on the same trains that other people's cars go or rather the railroad cars.

Mr. MARSH. Mr. Chairman, not to take up the time now, may I ask permission to insert on that subject later the records from the Trade Commission Report? May I ask this, though, Mr. Veeder?

Mr. VEEDER. Just refer to the Trade Commission's record in it and that will be sufficient.

Mr. MARSH. All right. I have not got all those things with me because I was anticipating the pleasure of taking this up with you later.

Mr. VEEDER. Thank you.

Mr. MARSH. And also with Mr. Weld, when he gets back. Now, in this service which the refrigerator cars have been able to give the packers, you have got to admit that the railroads have played a little part, have you not; that is, in providing the rights of way?

Mr. VEEDER. The railroads carry the property of the packers as they carry everybody else's products.

Mr. MARSH. Precisely.

Mr. VEEDER. The railroads refused to furnish the cars necessary to carry the special property that had to be preserved in transit, so the packers built the cars with their own capital and at a loss to themselves, and carried the property themselves. Now, just the moment that the railroads furnish the cars and the service to carry that perishable property, the packers will discontinue the service; but there is no reason why the one service should be destroyed before the railroads have built up the other.

Mr. MARSH. We have never suggested that.

Mr. VEEDER. Then what are we talking about?

Mr. MARSH. Just this, there has been a great deal of opposition on the part of the packers to having the railroads acquire all the refrigerator cars, after a reasonable time, and to not allowing any packers to own refrigerator cars.

Mr. VEEDER. The opposition to that is having the one private car service destroyed before the railroads have built up the other service, whether it is within a reasonable time at an unreasonable time.

Mr. MARSH. Mr. Chairman, this is a live point, and if I understood Mr. Veeder there is no objection on the part of Swift & Co.—I do not know whether you are speaking for the other packers on this—to having this proposition or this feature of the bill, to wit, that as soon as the railroads can provide or buy the packers' refrigerator cars, that there shall be no more private ownership by the packers of the refrigerator cars.

Mr. VEEDER. No; I do not concede that.

Mr. MCLAUGHLIN of Nebraska. Mr. Chairman, pardon me for intruding, but there are a number of men here, I understand, from out of the city who are anxious to give their testimony and get away. They are here at an expense and I am wondering, inasmuch as we have Mr. Marsh and the attorneys for the packers with us always, if it would not be well to just cut this interview a little short and hear from the gentlemen who are from out of the city, for their accommodation.

The CHAIRMAN. Is that agreeable to you, Mr. Marsh?

Mr. MARSH. Yes, sir; since we are fresh every morning and new every evening, we are glad to come at any time we are wanted.

The CHAIRMAN. You started cross examining the witness. Are you through?

Mr. MARSH. I was not quite through when Mr. Veeder came in with his ubiquitous knowledge on the subject.

The CHAIRMAN. Have you any further questions?

Mr. MARSH. Yes; unless Dr. Wilson also is going to be here longer. We have disposed now of this refrigerator car matter.

Mr. WILSON. Mr. Chairman, if this is to go on indefinitely, after we adjourn we might let some of the folks have this hall this evening. In the meantime, I know that some of these people from Omaha and Kansas City and St. Louis and Chicago are stockyards men, and they must be back at their places of business on Monday morning next, and I even think that Dr. Wilson might surrender this afternoon.

Dr. WILSON. I am through, sir.

Mr. WILSON. Are you through?

Dr. WILSON. Yes; and was excused and thanked by the chairman and thought I was out.

The CHAIRMAN. Mr. Marsh, have you finished your questions?

Mr. MARSH. No; but I only have a few more.

The CHAIRMAN. How long will it take?

Mr. MARSH. About three minutes.

The CHAIRMAN. We will give you three minutes and see how we get along.

Dr. WILSON. Who will be the timekeeper?

Mr. MARSH. Dr. Wilson, on this question of stockyards, the Bureau of Markets, and, again, most of the farm organizations, feel that the live-stock producers would have a fairer show in marketing their live stock if the big stockyards were owned by the railroads and treated as part of the facilities of transportation of live freight. What do you think about that? Or what objection have you to that?

Dr. WILSON. Will you allow me to answer that by quoting from one of the market committee? There was one of the market committee at a meeting at Salt Lake City last summer. It was a public-land convention, and this man got up and made the statement that the management of the stockyards were dishonest and that they were overcharging and that they were charging for feed that the men did not get, and so on. He made a general charge against the stockyards. He did not specify any particular stockyards, naturally. There was one manager of a stockyards present, and I asked the chairman if he could not have a chance to answer the statement, that he was being accused of being a thief, and I thought while he was accused of that he ought to have a chance to answer, and he did answer. And this gentleman from the Bureau of Markets committee got up and said that that yard was absolutely all right; that that yard had not done anything wrong; that their record was clear. He was the only stockyards man, though, that was present. So they could not ask the others the question.

Mr. TOMLINSON. Dr. Wilson, will you not kindly correct your remarks by stating that it was a representative of the Bureau of Markets?

Dr. WILSON. The Bureau of Markets; that is right.

Mr. BROOKS. State his name. Louis D. Hall, was it not?

Dr. WILSON. Mr. Hall.

Mr. BROOKS. And was not the Denver yards the one referred to?

Dr. WILSON. Yes; I did not care to give any one yard a preference in reputation over the other.

Mr. BROOKS. It is a matter of record.

Dr. WILSON. Yes; the Denver yards is the only certified honest stockyards in the United States, certified by the Government.

Mr. MARSH. And I will reply by saying, although I have only a half minute in which to do so, that the Federal Trade Commission has got the exact records for most of the large stockyards showing the overcharges, and they have been read into this record, showing that they are making 40 per cent on some of the hay and corn and so forth, and it was testified here that they were charging down in the Kansas City yards, if I remember, an advance of 100 per cent on the corn which was fed, and from the records of such overcharges they are now taking action on a lot of these stockyards to compel them to refund the exorbitant charges.

Dr. WILSON. There was one man in the Chicago yards that did do that deal, and he was not caught up by the Federal Trade Commission or anybody else. He was turned out by the exchange, and made to refund several thousand dollars.

Mr. ANDERSON. The Trade Commission had nothing to do with that?

Dr. WILSON. No, sir.

Mr. CREIGH. That was a commission man rather than a stockyards man.

Dr. WILSON. Yes; it was a commission man. The stockyards, though, furnish the hay to the commission man.

Mr. MARSH. You would not feel as free on the stockyards owned by the fellow you are going to sell to as you would in your own yards, would you?

Dr. WILSON. I do not know.

Mr. MARSH. All right; I am through.

The CHAIRMAN. We are very grateful to you, Doctor. Mr. Rainey, you may proceed.

Mr. RAINEY. I will call Mr. Patrick Brennan, of Chicago.

STATEMENT OF MR. PATRICK BRENNAN, PRESIDENT INDEPENDENT PACKING CO., CHICAGO, ILL.

The CHAIRMAN. Mr. Brennan, please give your full name, address, and whom you represent?

Mr. BRENNAN. Patrick Brennan, president of the Independent Packing Co., Chicago, Ill.

The CHAIRMAN. You may proceed, Mr. Brennan.

Mr. BRENNAN. Mr. Chairman and gentlemen of the committee: In September, 1919, I appeared before the United States Senate Committee on Agriculture and Forestry, and there expressed my views regarding the so-called Kenyon and Kendrick bills, and if it is not inappropriate would like you to refer to my statement at that time, even though there may be many points of repetition in what I wish to say to you now.

I gather from all that I have read regarding legislation affecting the packing industry that one of the purposes of the Anderson bill and other legislation proposed in the Senate is to protect the people who are engaged in the packing business from the effect of the power and bigness of the so-called Big Five packers. Of course, it is also stated that the farmer and consumer will gain great advantage by the passage of the Anderson bill and other legislation. I have given much thought to the entire subject, and have expressed my views very clearly to the effect that the farmer and consumer will not be benefited by the proposed legislation. I firmly believe that they will be damaged by it in a way that they may not fully realize.

If the packing industry is legislated into a state and condition of uncertainty, and under the term of such legislation a department of Government is given authority to control this industry and its relations with the farmer and consumer, the prejudices, inability, and honest error in judgment of a Secretary of Agriculture or any commission authorized to act, will result in forcing the farmer into a position where he takes a greater risk than his business has ever been subjected to in the history of American business. The business of the slaughter of live stock on a large scale has become an important factor in the economic structure of our country, and by a gradual development has become essential to the farmer as well as to the consumer. It can not be substantially disturbed or destroyed without having a serious effect on the farmer. If all the well recognized and correct practices in trade are subjected to discretionary modifications by a Government bureau, it means the putting of the producer and packer into a state of uncertainty, and it naturally follows that where such a condition exists the consumer must pay the bill either in increased cost or impaired service. To those who say that there are certain elements in the packing industry who have by their power and bigness become a menace, I desire to answer by saying that I have heard lawyers and public officials say long before the present House and Senate bills were introduced, that the laws now on our statute books are sufficient to provide for the correction of any abuses in business, packing houses as well as other industries, and if there has been any violation the Government has the power and forces to bring about a proper punishment of any violator or the correction of any abuse. To me there can be no just reason for selecting the farmer, packer, or the consumer of meats for new experiments in legislation, at least until it clearly appears that abuses now exist and that existing laws have been found inadequate to overcome them.

However, my coming to Washington at this time was not to talk from the standpoint of the farmer and consumer, but rather to emphasize the views of a packer who has no connection now, nor ever had at any time in the past with the "Big Five" packers. I am just a plain business man, who in 1905 had accumulated a sum of money which seemed to justify my going into the packing business at Chicago. I am the president an principal stockholder of the Independent Packing Co. We started with a capitalization of $125,000.

All of the stock is owned by myself and two other gentlemen, and none of the big packers has any interest whatever in any of the stock, nor have I any interest in any of their concerns. Our company was reorganized and the capital increased from time to time until now we have issued $500,000 of common stock outstanding and $1,000,000 of preferred stock. Our surplus is approximately $1,800,000. The preferred stock issue was made necessary by the requirement of a larger capital in our business. This preferred stock was sold to the public and all of the money put into the business. Our company has never paid excessive or regular dividends. When business conditions required it we would pass dividends and permit our surplus to increase. Our business has increased annually from a gross in 1905 of approximately $2,000,000 to a gross of over $27,000,000 in 1918, and a gross of over $29,000,000 in 1919.

Mr. ANDERSON. What was the last figure?

Mr. BRENNAN. Over $29,000,000 of sales in 1919.

Mr. ANDERSON. Twenty-nine million dollars?

Mr. BRENNAN. Yes, sir.

There was no magic performed by any one in our concern. It was a case of hard work, attention to business, development of good will and financial credit and trying to do the square thing; the same methods that men in other lines of business have followed who have been successful. During those 15 years we have been located just outside the Union Stockyards at Chicago and in common with many other independent packers, who have also succeeded, competed with the larger packers in purchasing live stock and selling the manufactured product. At no time has our company ever had any secret or other agreements with the larger or smaller packers touching any part of our business. The only agreement that we have entered into in common with other packers is an understanding brought about by the Department of Labor at Washington that all questions of working conditions and wages of our employees should be submitted to Judge Alschuler at Chicago for arbitration. It is quite likely that during the past 15 years many have come into the packing industry who have not succeeded. The same can be said of men who went into the different professions, the manufacture of clothing, shoes, and all other commodities. Congress can not by legislation make men successful unless such men are given special favors which would be unjust, and as I understand it, not intended by those who present the contemplated legislation. Surely there is nothing in the Anderson bill or other bills which gives the small packer any advantage. On the contrary, as I will try and point out later, it makes his development more difficult.

If there is any agency or set of men who, without being requested by us, desire to protect us from the "Big Five" the answer of the independent packer is that we can protect ourselves by our own efforts and that the things now proposed by Congress will destroy our ability along that line and not enhance it. It is proposed by the Anderson bill to create a license system which will enable the Secretary of Agriculture to take away from us according to his discretion and set of rules for the administration of our business. I am advised that the license plan has been abandoned by the leaders of the proposed legislation. The commission plan proposed by the Senate committee is just as obstructive of correct business methods. Under existing conditions the big packer can not put us out of business, and if in the past he has ever tried to do it has failed. For the purpose of the statement which immediately follows, I am going to assume that the men in governmental office, who by the terms of this bill and other legislation are given the power to control the destiny of the packing companies, are honest and of good intention. It takes years of hard work and experience to become efficient and practical in the operation of a packing plant, in addition to being honest and having good intentions. While I can still believe that men who fill these governmental offices may be honest and of good intention, experience teaches us also that such men are human and many of them have political and social ambitions. It does not take a college professor to know that favors in Washington may in the future, as sometimes in the past, be given to the company or individual who understands what Secretary Lane calls "parlor diplomacy," and who can have a force in Washington to cultivate it, while we smaller packers are at home trying to carry on our own business.

If there is any desire upon the part of the big packer to put us out of business, this proposed legislation provides the agency, whereas without putting it within the power of a secretary or commission to destroy us, the big packer can never get big enough, because our proportionate growth is coequal with his. If he was disposed to injure us he could harrass the smaller packer, and if it was his wish to frame up charges and complaints through others, Government agencies might not discover it until we were in the hands of a receiver or otherwise hampered in the management of our own business. From my experience the big packers have had no such temptation and have not engaged in any dishonest effort to destroy us, but when certain legislators or other agencies assume that the "Big Five" are disposed to do evil things, I merely desire to point out what could easily happen if the assumptions are correct. There has been much talk of their control of banks. My company and others similarly situated have prospered because we were able to borrow sufficient funds from the banks to carry on the business. It is a well-known fact that the packer can only turn his capital over three or four times in a year. It is also universally known that the packers have to pay cash for their live stock, and in consequence no packer has enough money on which to do business. All packers are heavy borrowers. A concern like ours, although a relatively small factor in the industry, is nevertheless a very heavy borrower as compared with the concerns of our size in any other line. We must either have the support of the banks or we must close our doors.

If the big packer has had control of the banks we have not suffered by it, because the banker has felt a security in our permanency and in dealing with us, which the proposed legislation would destroy. No sound banker is going to give a line of credit to those engaged in the packing business if the plant can be ordered closed by a message from Washington or if some part of the plant may be turned over to some one else for his use. In the progress of operation there are large quantities of perishable products in a plant which require processing until marketed. It does not take a very large concern to have millions of dollars worth of food products in its plant which may be destroyed by a cessation of business, even for a temporary period. After any order of the commission was issued, even to the extent of ordering the closing of one or more departments, the packer would then be required to go into court and there await his turn and seek by long and expensive litigation to overcome the small spoonful of facts gotten together by the investigator in a department at Washington. Operations ordered stopped by the commission must stop, and even if such action was subsequently found to be improper the harm has been done, and in the meantime there is nothing but uncertainty. It is not an answer to say that a receiver, such as is mentioned in the Anderson bill (but not mentioned in the Senate bill), could be appointed who is familiar with the business and who could continue to operate it successfully. Ordinarily men who have such ability have their own business to attend to and are not desirous of taking over as receiver, or otherwise, for operation the business of another concern.

In addition to that it would not be wise to select a competitor as receiver because he might not be entirely anxious for the success of his competitor. The field of scientific development in the packing houses has never been exhausted, and yet these bills provide for a method of rules that may be promulgated at the will of a Governmental bureau. Everybody knows that just as soon as that happens initiative in a plant is destroyed and the forces of disintegration would set in even though the regulation put in force was subsequently found to be unjust and modified, because another experiment would probably be announced by the commision to suit the i ea originally in mind. Banks would withdraw their support and chaos and disaster would result. Every independent packer in the country would be in danger of going on the financial rocks, not because of his own inability, but because some one else thought he had violated some rule or practice, or knew more about the packing business than the man who had spent a lifetime in its development. It isn't fair, it isn't just. American business did not move forward on any such pathway, and between sessions of Congress and the time necessary after the convening of Congress to change the laws there is no place to turn around. As business has developed in our country, contracts for future delivery have become a part of every day business life. What security has the wholesaler or retailer that there can be any certainty in delivery if there is uncertainty in our ability to manufacture?

To read into every contract a clause that there is no obligation upon the part of the manufacturer to furnish product enumerated should the Government order its plant closed or otherwise interfere with manufacture is to put into every contract the principle of the Government operation of all business. Only the other day I read in a foreign paper that our prices have become the world prices. That may be due to many facts, but surely among the factors is the certainty of delivery and ability to keep contracts. Under the proposed legislation in the Senate a scheme is offered for registration. If the packer registers, he is subject to all of the provisions of the act. If he does not register, then he is subject to a part of the rules and regulations. It does not require much imagination to realize that the man who does not register could be embarrassed in many ways and driven to registration.

Mr. ANDERSON. Is that in the same section?

Mr. BRENNAN. I have not the section here.

Mr. RAINEY. It is in the bill?

Mr. **Brennan**. Yes, sir.

Mr. **Anderson**. He is not subject to the rules and regulations under the section referring to registration.

Mr. **Brennan**. As I understand, if he registers he is subject to all the rules and regulations, and if he does not he is subject to a part of the rules and regulations. That is the way I understand it.

Mr. **Anderson**. He is not subject to any rules or regulations under section 25, which is the registration section, unless he registers under them.

Mr. **Brennan**. I did not interpret the bill in that way. Of course, you ought to probably know.

Mr. **Anderson**. I do.

Mr. **Rainey**. But if he does not register he is subject to the other regulations embodied in the bill?

Mr. **Anderson**. He is.

Mr. **Brennan**. I will admit that I can make a mistake.

The tendency of bureaus is to increase and enlarge their powers and jurisdiction, and when a concern registers it submits to everything. Apparently the purpose of the act is to encourage registration. Otherwise there would be no reason for the provision. When the person registers, he is called a "registrant," and as to him the commission may determine whether "the location, character, and extent of grounds, buildings, and other facilities provided are found suitable and adequate for the proper conduct of the business." It is a new idea to me that a man who is going to invest a large sum of money in an enterprise should be subjected to the judgment of a commission of men who may not know anything about the business as to his location and building. When it comes to a question of health and fire protection, every city now has its regulations which have for their purpose the protection of health and life. On the question of the quality of meats and their sanitary condition as affected by physical surroundings and other elements, the United States Government now has sufficient regulation for all needful purposes. Under the existing regulation of the Meat Inspection Bureau it is necessary for me to get the approval of Washington to make any changes in construction that might in any way have any effect on the purity or the quality of the product we propose to manufacture.

No one has ever attempted before to determine whether my views as to availability of location for transportation of material and men, as to cost of the original and additional investment in grounds and buildings, and the appropriateness of devices for labor-saving and other economies which I might propose should have the O. K. of a department of Government. It can not mean that its purpose is to provide a safe place to work, because safety devices are now properly imposed upon us in connection with machinery, and the laws of different States now make ample provision for the safety as well as the comfort of employees. Illinois, and I presume other States, has factory inspection which is fully protective along that line, but under the proposed legislation, even though my plans might meet with the approval of State and city authorities, they could be rejected by a Federal commission, and, more than that, the plans might be acceptable to the Federal commission in power and after the construction was completed additions or changes demanded by a succeeding commission. This seems to be confusion more confounded. There is also to be an attempt to standardize the construction of plants. This means that we might have to tear down what we have spent years in building up if it does not meet with the approval of some artistic temperament or the views of a department chief whose experience never justified his opinions as to what is essential and practicable in building. To standardize plant building means standing still in many cases. If our concern or some other concern wished to erect a plant far superior to the standard established by the commission, we might be denied the privilege. A new concern going into business would in all likelihood have to submit to an outlay far beyond its ability.

Mr. ANDERSON. Under what provision of the law do you think you could be denied that privilege?

Mr. BRENNAN. Why, the standardized plants of the proposed bureau.

Mr. ANDERSON. If you were not registered you could not be subject to any of the provisions of that section?

Mr. BRENNAN. I am talking, of course, about those that would be subject to that.

Mr. ANDERSON. Well, you can not object very strongly to a man's being subject to provisions which he agrees he shall be subject to.

Mr. BRENNAN. I can not see why a man in a free country like this should be subject to any conditions as to the volume of business that he may want to undertake.

Mr. ANDERSON. No; there is nobody wants to do that.

Mr. BRENNAN. Well, if you had standardized plants he certainly would have to be. He would have to have a certain amount of capital and he would have to be a certain type of man and have to perform a certain volume of business.

Mr. ANDERSON. If he wanted to be registered, yes; but not otherwise.

Mr. BRENNAN. Well, that is what I can not understand. I have seen people in my time start pretty small.

Mr. ANDERSON. There is nothing in this bill that will prevent them from starting just as small as ever.

Mr. BRENNAN. It is more likely that any man with capital would prefer to go into a different business where his own judgment on the subject of buildings would prevail and where he would not be referred to the judgment of others against his will and the advice of his chosen architect and engineer.

Another peculiar provision sought to be imposed on the packing industry is to enable a Government bureau to pass on the financial standing of any registrant in business or contemplating going into business. Bankers who have spent their lives in passing on the financial ability of men have made innumerable errors of judgment. In many cases they have thought that a sum of money was not sufficient to carry to success a contemplated enterprise, and yet experience has shown that in that judgment they were frequently in error. They have also many times believed that the financial ability of men to go into a certain business was sufficient and subquent experience shows that they were wrong. In every business effort the native ability of the individual must be taken into consideration, and it may well be that a man might have sufficient money to carry on the packing business and yet be entirely lacking in the brains and experience necessary to make his efforts successful.

In order to be consistent these contemplated bills should provide that the commission should be given power to determine the experience, health, physical ability, industry, or lack of industry, willingness to work, moral integrity, and all of the other factors that enter into business life in order that the commission may be able to guess as to whether the registrant or business man is going to carry on successful business or be a failure. My experience has taught me to believe that while money is a very important factor in enabling any man to succeed in a business, his personal integrity and industry and ability are of equal importance.

Again, it is proposed that an inspection of live stock and food stuffs be made. The law already provides for such and to me there seems to be little use for another set of inspectors. The existing inspection law has proven entirely adequate for domestic and foreign purposes and meets the approval of all who are concerned. It may be possible to understand the nature of the inspection that is required now, but under the contemplated inspection nobody knows what is intended. A double inspection means a duplicating of expense.

The fact that the proposed legislation makes the question of inspection a matter of request upon the part of the registrant seems entirely apart. If inspection is desirable why put it up to the manufacturer to ask for it? Will it add anything to the safety of health to have a man in business secure a certificate that the commodity has been approved by the inspectors of a new department when it already bears the stamp of approval of the United States Government? That provision seems ridiculous on its face. If the manufactured food is up to requirements, the competent packer can make proof of such fact in court by the usual methods required in courts.

A registrant should not be favored by the issuance of a certificate by an inspector over the concern which may not choose to accept all of the provisions of an act in order to secure this particular advantage, if such it is. The result of it means either an added expense in the conduct of the affairs of government or to the cost of manufacture. Most Congressmen and Senators seem to wish to avoid additional expense in government and cost of manufacture. These savings can not be made by unnecessary inspection, which has as its apparent purpose the making of testimony.

It is also planned, as I read, to give the commission power to examine our books. For what purpose does not appear. The revenue department now has that power for the purpose of determining income and profits. The Federal Trade Commission has the power for the purpose of determining anything contemplated to be done under different acts of Congress.

If anything has occurred in the packing industry, as distinguished from all other industries, to justify an additional inspection of books, no one has pointed it out. If the purpose of the inspection is to determine costs, expenses and profits that can now be done; if it is intended to prevent any unfair competition or other practices, an inspection can be made for that purpose, to the extent that the Constitution of the United States justifies. If we keep on adding to inspections, it will not be very long until our own bookkeepers will not have the use of our books for the purpose of making entries in the regular course of business.

Referring again to the small packer and the big packer, this contemplated provision would better enable the big packer to find out through favored friends all the information which he seems now to be denied. The whole plan is harmful to the small packer. It is difficult for him now to understand all of the regulations that are imposed by different bureaus, and if he is required to maintain a force of interpreters and lawyers to understand the purpose and limitations of an additional inspection of foods and books you are again adding to the cost of manufacture.

It might be interesting to enumerate a few of the United States laws and State and municipal laws under which inspection is made in one form or another:

Sherman Act, pure-food act, meat-inspection act, Interstate Commerce Commission, Federal Trade Commission, Clayton Act, Census, Department of Commerce, as to requirements for import statistics on all shipments; Treasury Department, income and excess profits, Lever Act, and many others. State and municipal laws regarding the inspection of pure food, construction of buildings, hours of work, sanitation, women's labor, child labor, incorporation requirements in each State, boiler inspection, building requirements, workmen's compensation, city ordinances touching the wrapping of meats and a multitude of other things, cold storage, etc.

There is a constant conflict going on between the different inspectors regarding jurisdiction over these matters, and to pile on more inspection means new and added controversies with more questionnaires. So far as I know, there is ample law now to cover everything in the way of inspection required, and there is no abuse which could require redress cited by anybody which needs additional legislation. The Federal Trade Commission assumes to cover everything on earth in the way of complaints, and if the experience of the past is any criterion of what may happen in the future, the conflict between the Federal Trade Commission and any other commission authorized to control the packing industry will be at least interesting and probably productive of more unfair publicity.

Section 14 of the Senate bill is intended no doubt to prohibit unfair or deceptive practice or device in trade. It also includes the power of fixing the price of the commodity we sell.

What is meant by a deceptive device as used in that section? No one can tell from the reading of the bill. It may mean that the commission can determine after a business contract is signed or concluded that there was something about the transaction it can not approve of. No packer can tell in advance what the commission may think. Will it be necessary to submit in advance what is intended to be done? If so, will the answer come back from Washington?

Different chiefs will make different rulings. No one in business can tell where he stands. If any one now attempts to use an improper or deceptive name on a product, or commits any fraud in advertising or selling, the Bureau of Animal Industry has full power to act. So have the Department of Justice and the Federal Trade Commission. Under existing law a man knows what to avoid before acting, whereas under the proposed act he can not tell what to avoid, because he can not read the thoughts of a commission. Surely, any act of Congress which would undertake to penalize men for the committing of an unfair act or use of a deceptive device should enlighten him as to what is meant by those terms.

Now, as to fixing prices. The packing business is a private enterprise, and there is no better reason for fixing the prices of meats than for fixing the prices of shoes, clothes, automobiles, tools, machinery, and thousands of other things.

What test will the commission apply? It must be intended to disregard the laws of supply and demand, or else there would not be any reason for fixing prices by a commission. If the price is fixed at a high point the consumer will complain; if at a low point the farmer will complain, because it means that business requirements would force a low price for his cattle and hogs without regard to market conditions. Is the alert and competent manufacturer going to have his business fixed on a union scale? Is the Government going to establish a practice which according to the Sherman Act and other acts of Congress and State legislatures is inimical to the public good? In any event the packer would be criticised, and have no power to determine what should be done under fluctuating conditions.

Many months intervene between the time of purchase and sale of cured meats. What commission at Washington can make a guess worth considering when men in the business for years are constantly on edge wondering what is going to happen in this country and abroad? Except in time of actual war it is contrary to all principles of our Government to attempt such a practice. A man could talk on this question for an hour or more and then not give all of the sound reasons that obtain against fixing the price of food products.

The proposed legislation is unfair and unjust to all engaged in the packing industry, whether large or small. It practically puts a ban on new concerns. There is as good an opening to-day to go into the packing industry for men of experience and ability as there ever was. It may require more money than when I went into the business, but that is because it requires more money to go into any business than it did in 1905. There is no relative difference between the packing business and other businesses in that respect. The proposed legislation, however, is making it more difficult to go into the packing business with a commensurate sum of money than it would to go into any other business, because of the curtailment of credit which would necessarily follow and without which no one engaged in the packing business can succeed. With such a condition, instead of there being increased competition, it would be reduced.

Considering the question of competition alone and assuming further that those now engaged in the business, though such can not be true, could withstand the embarrassments and difficulties attending the regulation contemplated, new packing plants would not be built and the effect of this legislation would mean a concentration of the business in the present owners and make them the only competitors in the packing industry.

With a continued increase of population and consumption of food, instead of making it difficult to go into the packing business encouragement should be given to new enterprises which can carry on the business according to fundamental and well-recognized lines.

Under the proposed bills the order of the Secretary of Agriculture or commission reciting a violation of rules and regulations must be sustained even though the overwhelming weight of the evidence is in favor of the packer, because of the requirement that any evidence tending to support the action of the Secretary or commission is sufficient to sustain the order.

It does not take a lawyer or a Congressman to see what that means. If the packer had an overwhelming preponderance of evidence to support his case and demonstrate his integrity he would not be entitled to relief. As far as I am concerned, it would not take me very long to decide that the best thing for myself and my family would be to get out of the packing business. I have several sons coming along and with me in business now. Denied the full protection of the courts, being required to submit to the prejudice or error in judgment of a bureau at Washington, all incentive for continuing in business would be removed, and when our company paid all of its obligations under what could not be regarded as anything else than a forced sale, there would be little left after a lifetime of hard work and attention to business. The value of our plant would necessarily depreciate, and the very reasons that would prompt me to want to get out of the business would be sufficient to deter others from going into it.

What the idea was when the framers of the Senate bill provided that a registrant must permit his competitors to use his plant and facilities, has not been made plain to me by anything that I have ever read. I assume that it has always been regarded as one of the rewards of hard work that a man could enjoy the use of his own property so long as he was not interfering with the rights of others or violating the law of the land, and it seems particularly odd that Congress should wish to promote development and promote a larger share in the business of manufacturing meat products on the part of the small packer, and then at the same time seek to take away from his own use part of his own facilities. To use a very homely illustration, it seems to me as impracticable as it would be for parents to reduce the size of their domicile because more children were being born into the family.

It would be just as unfair to take a portion or portions of our plant from us for use by others, against our will, as it would be to take some of our experienced butchers or salesmen and turn them over for use by a competitor, when we had live stock to kill and cut up and merchandise to sell. To enable the commission to authorize the use of our plant, or a portion of it, by others, is to take the heart out of a man, because it takes away the incentive to do bigger things and it is also quite likely that the existence of conditions which would make another wish to appropriate my property would be the same conditions that would want me to retain the exercise of authority over it.

This proposition, and the others heretofore mentioned calling for approval of plans, the approval of financial standing, etc., etc., provide an opportunity for preferences and political favors beyond anything ever contemplated in business or government. It means a government of men to supplant a government of laws.

The Anderson bill on its face, as well as what some have called the Gronna bill in the Senate, purport to be a bill "to stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes." Close attention and study of the business of production, sale, and distribution of live stock and live-stock products forces me to express the sentiment that the bill will not stimulate these businesses, but on the contrary will strangulate them.

What is meant by "other purposes" I do not know. However, I am forced to believe that the other purposes intended to be served can not result in advantage to the farmer, the manufacturer, or the consumer of food. Anything that injures the industry will seriously affect the welfare of all people, and it can not be of benefit to those who are employed in the industry, as well as the general public, that the packing houses be removed from the field of business activity, and that there be a return to the days when packing houses of importance were not in successful existence. The enactment of this bill would undermine the financial fortifications of every independent or small packer in the country, and eliminate the competition that serves the same purpose as does the fly-wheel to keep the machinery balanced and running smoothly. It would eliminate competition and eliminate the small packer, and would injure the producer and the whole country.

Without claiming any great credit for service rendered during the war, it is not unbecoming to these in the packing-house industry to ask Congress what would have been the result, so far as food products are concerned, to our soldiers who went overseas, if there were not in existence large and small packing houses who, because of their ability and willingness, made it possible to provide food in great quantities to our own soldiers and the people in foreign countries. While I have no reason to believe that there is any immediate danger of another war, nevertheless I am forced to say that any agency that performed such a service is one to be maintained rather than to be destroyed.

I am certain it is the wish and desire of all of you gentlemen to further the interests and prosperity of our country and her industries. It is an old saying that it is an easy matter to tear down, but a very difficult thing to build up. In the period of reconstruction which is upon us, and which we can not avoid, any legislation that strikes at the fundamental and long-recognized correct principles of business will only hinder the American business man in his desire and efforts to accomplish the big things which society demand. I am certain it is the wish and desire of all of you gentlemen to further the interests and the prosperity of our country and her industries, and to play your part in the up-building of industry. This is no time for experimental ideas, and I am sure that upon a careful and close analysis of what is proposed in the way of regulating the meat business, it will appear to you as not only unwise, but also unjust from every standpoint, and can not be considered by you gentlemen as a measure that promotes the best interests of this country and all concerned.

Mr. McLaughlin of Michigan (presiding). Have you any further statement to make now, or do you wish at this time to submit to questions?

Mr. Brennan. If there are any questions that I can answer I shall be glad to reply.

Mr. Anderson. Mr. Brennan, you are evidently under the impression that the volume of business done by the independent packers, as distinguished from the Big Five, has increased in the same ratio as the volume of business of the Big Five. Am I correct about that?

Mr. Brennan. I say that it has; yes. That is my statement.

Mr. Anderson. I think that is a very natural assumption, but I do not think it is borne out by the facts, as to at least the volume as indicated by the purchases of live stock. The statistics furnished by the Bureau of Animal Industry indicate that the proportion of live stock arriving at the markets and slaughtered by the Big Five as compared with the slaughter of the independents has increased. That is to say, that the Big Five are doing a larger proportion of the business now than they have heretofore.

Mr. LIGHTFOOT. That does not apply to hogs?

Mr. ANDERSON. Yes, that applies to hogs, but not to such a large extent.

Mr. BRENNAN. Technically speaking, you may be correct, but as a general rule I do not think it is true.

Mr. ANDERSON. Well, these figures show, for instance, that the percentage of cattle slaughtered by the Big Five, as compared with all others in inspected plants, in 1909 was 59.9 per cent, and in 1918, 74.7; as to sheep, 57.8 per cent in 1909 and 72.8 per cent in 1918; as to swine, 43 per cent in 1909 and 53 per cent in 1918.

That would indicate that the Big Five have increased their percentage of the total business in that period.

Mr. BRENNAN. Congressman, I do not believe that is a fair comparison, owing to the fact that during the war we had excessive production of live stock, as has been demonstrated in the testimony of Dr. Wilson for the last two days. I would admit that while the independent packers' capacity might be limited and exhausted in their operations during those particular times, the big packers might have a more nearly unlimited capacity. I think that would explain that.

Mr. ANDERSON. I think that is an impression which anyone might have; I should have had the same impression myself. But the fact remains that the increase which I have referred to is not an increase confined to the war period but is an increase which has been proportionate from year to year and has continued during all this time. It is not confined to the war period at all.

Now, what was your volume in 1916? Do you happen to have the figure in mind?

Mr. BRENNAN. No, but probably six or eight million dollars.

Mr. ANDERSON. In 1916?

Mr. BRENNAN. Oh, 1916?

Mr. ANDERSON. Yes; 1916.

Mr. BRENNAN. Well, probably $15,000,000 or $16,000,000. That is approximately correct.

Mr. ANDERSON. So that you increased during the war period from $15,000,000 or $16,000,000 to $27,000,000?

Mr. BRENNAN. Yes, sir.

Mr. ANDERSON. Do you slaughter cattle at all?

Mr. BRENNAN. We do; yes, sir.

Mr. ANDERSON. To what extent?

Mr. BRENNAN. Oh, probably 60,000 a year; somewhere around 1,200 or 1,500 a week.

Mr. ANDERSON. For local consumption?

Mr. BRENNAN. Well, not local, no. We ship to the eastern mrkets and car route lines in three or four different States.

Mr. ANDERSON. What percentage of your business is outside of the city of Chicago?

Mr. BRENNAN. I should say about 90 per cent.

Mr. ANDERSON. Your business then is not a local business?

Mr. BRENNAN. Oh, no. No; it could not be and do the volume of business that we are doing.

Mr. ANDERSON. Well, Chicago is a pretty good-sized city?

Mr. BRENNAN. Chicago is a pretty good-sized city, but at the same time it is thoroughly canvassed. You understand, there are a great many big packers in Chicago, and they are not going to forget that Chicago is a good market, and they are going to work that market just like you would any other market.

Mr. ANDERSON. Do you own any refrigerator cars?

Mr. BRENNAN. We own a hundred refrigerator cars; yes, sir.

Mr. ANDERSON. Is that sufficient for your entire volume?

Mr. BRENNAN. It has been up to the present time. We have had had them for about five years, I believe.

Mr. ANDERSON. You spent a good deal of time referring to the power of the commission or the administrative officer under this bill, or the Senate bill to fix prices. There is, perhaps, some question about that in some cases in this bill. That is to say, it may be that the power to fix prices in some instances is given in this bill and not given in the Senate bill. But if the power to fix prices were eliminated from the bill to that extent your objections would be met on that score?

Mr. BRENNAN. I beg your pardon?

Mr. ANDERSON. I say, one of your objections is as to the power to fix prices?

Mr. BRENNAN. Yes, sir.

Mr. ANDERSON. Now, if that power is not in the bill that objection falls, does it not?

Mr. BRENNAN. That falls if it is not in the bill, of course.

Mr. ANDERSON. And as to the objections you make as to the various provisions in section 14, they fall also, because those conditions do not apply unless the packer or operator on the stockyards voluntarily asks for license or registration under those sections?

Mr. BRENNAN. That is the question of license that you are speaking of?

Mr. ANDERSON. Yes, sir.

Mr. BRENNAN. I can not agree with you on that. There must be some advantage or disadvantage in having that license or registration.

Mr. ANDERSON. I think you are quite right about that. I think the people who drew that section—I did not draw it—had in mind that there might be an advantage to a municipal plant, a small plant, in the beginning, to register or get a license under that section and they intended to make it so.

Mr. BRENNAN. If you will pardon me before we pass over it, I heard some discussion here as to the ownership of refrigerator cars. I just want to make this statement in connection with our business. I found that it was absolutely necessary that we should purchase cars, which we did, and own them and control them in order to carry on our business. The competition is such at the present time—and I think that is what everybody should be permitted to avail themselves of, the advantage of furthering their own interests by acquiring the best equipment possible in the way of transportation of meats or food products.

We are in a stage of progress. Every packer—that is a very important feature of his business, shipping his product in safety to whatever market or destination may be required, and if we are depending on the railroads or some public utility commission we do not know whether when we want cars we will have them, whether they can supply them. And in case we should not be able to acquire cars or they could not furnish them as we required them we certainly would be under a great handicap.

Another point is this. As I stated in connection with the packing houses, the field of development has never been exhausted. The same identical fact is true of refrigerator cars; they are simply undergoing better and more perfect conditions than there ever were before: I understand that there is a new system being installed now in the way of getting better efficiency out of those cars than there ever has been, that they can produce lower temperatures for the shipping of meats by some certain arrangement or equipment—at a cost, of course, a big cost, the system of piping and the ice required and all that kind of thing. I understand that some of the packers are equipping their cars with that now.

Mr. ANDERSON. Yes; this much maligned Government of ours and these much maligned bureaus have worked out a system, I understand, which is somewhat more efficient than the system which is now used in refrigerator cars, and that it is being adopted by some of the packers.

Mr. BRENNAN. Now, I can not agree with you that the Government efficiency is as good as that of a private owner.

Mr. ANDERSON. I did not say that.

Mr. BRENNAN. It has not shown that in the operation of the railroads for the last two years. That has been demonstrated. Thay ran at a loss of practically a billion dollars last year, as I understand it—eight or nine hundred million.

Mr. ANDERSON. I will not challenge your statement there. We will get into a discussion that never will end.

Mr. BRENNAN. That question is up in some of those bills, and I just thought, as this discussion came up, that I would speak a word on it. Now, in the face of a demand for another billion dollars increase of wages to the employees of the railroads, I do not see how the railroads could possible give the same degree of satisfaction in supplying cars and keeping them in the perfect condition required by people whose business it is and who, for their own requirements, have to have perfection to a very great degree.

Mr. ANDERSON. It has been your experience that the ownership of refrigerator cars is an advantage to you as a packer?

Mr. BRENNAN. It is, and that is why we bought them.

Mr. ANDERSON. Reference has been made, Mr. Brennan—since you brought the subject up—the greater efficiency of the packers, the Big Five and other packers, in operating their refrigerator cars. Now, if they own 93 per cent of the cars and carry 93 per cent of the volume of traffic which is carried in these cars, is it not reasonable to expect that there will be a higher degree of efficiency in the operation of those 93 per cent of the cars, operated under one supervision, or under five supervisions, than there would be in the other 7 per cent operating on all the railroads in the United States?

Mr. BRENNAN. Absolutely. And why? Personal initiative. Each packer is a department in himself. It keeps competition on their toes.

Now, if the packers have better cars than the railroads supply, any small packer that is large enough to need a refrigerator car or two, or ten, or fifty, can arrange with the car builders or make trust arrangements whereby they can purchase a car or two, or three, or ten for their requirements. And it does not retard progress as it would if it were turned back to the railroads to supply those cars for the packing industry.

Mr. Rainey. With reference to the increased mileage that the big packers get from their refrigerator cars, is it not a result of the longer hauls they have as against the railroads' refrigerator cars making short hauls? For instance, if I remember correctly, Cudahy & Co. had the highest efficiency per mile in refrigerator cars, because their haul was from a point farther west than the Chicago packers, Cudahy not having a Chicago plant. Going direct from the West to the East, their mileage was greater, because they made no stops.

Mr. Brennan. That is true, of course; the longer the haul the greater the mileage. But in connection with that I want to say that our experience is that these car lines are a losing proposition, so far as I know, and still we can not dispense with them; at least we would not deem it advisable to dispense with them even though the railroad companies would buy them or take them off our hands at twice what we paid for them, and they are worth more than twice what we paid for them now. Nevertheless, they are a big losing proposition. I think our hundred cars lost us last year $35,000.

Mr. Rainey. I am informed the Interstate Commerce Commission found that the big packers lost some money in the operation of their refrigerator cars.

Mr. Brennan. The mileage has only increased a quarter of a cent, or 25 per cent, over what it was in prewar days, and it does not go at all for the upkeep, for the expense of keeping those cars running.

Mr. Anderson. Do you find you get expeditious service in the return of your cars?

Mr. Brennan. Yes; we make it our business to keep track of them and know where they are and demand their return.

Mr. Anderson. There are numerous complaints in the reports of the Interstate Commerce Commission indicating that there has not been the same expedition in the return of the cars of the small packers as there has been in the return of the cars of the large packers. You have not experienced anything of that sort?

Mr. Brennan. No; we have had no trouble. Occasionally a car, of course, might be lost, especially if you send it south. We have had instances where we have lost a car for two or three months, but that is liable to happen to anybody. Generally speaking, we have had no grievance along those lines.

Mr. Anderson. You referred to the provision for a receivership in certain cases under this bill. Suppose that the court under this decree that has recently been entered should order any one of the Big Five to divest itself of its ownership of a certain plant or a certain line of business and it should refuse to do so. Which do you think would be the more drastic punishment—which would they consider the more drastic punishment—for the court to put them in jail, or to appoint a receiver to carry out the court's orders.?

Mr. Brennan. Well, I think it would be about a toss-up. I would just about as soon go to jail as far as I am concerned.

Mr. Anderson. I do not think they would agree with you on that proposition; I know I would not.

Mr. Brennan. Well, I would be willing to sacrifice something personally, you know, for the good of others. If I had eight or ten million dollars invested or borrowed I would certainly want to see it protected, and you can not do that with a receiver—not in the packing business. I know enough about the business to know that. Receivers, as a rule, are not usually successful in any line of business.

Mr. Anderson. I am not undertaking to argue the question with you. If I can not get any information out of you without arguing I will not ask any more questions.

Mr. Brennan. I will be glad to answer you.

Mr. Anderson. I do not think I care to ask any more questions.

Mr. Voigt. You say your refrigerator cars are a loss to you in your business?

Mr. Brennan. As a car line I know they are a loss; there is not any question about that. Our books show a deficit for 1919 of $35,000.

Mr. Voigt. If that is true, why do you not get rid of them, or why did you ever buy them?

Mr. Brennan. I bought them because we needed them in our business, and I would not get rid of them now. I just made that statement. We could not dispense with them and carry on our business.

Mr. Voigt. Can you get refrigerator cars from railroads?

Mr. Brennan. Well, if they see fit to give them to me. If they have not got them or can not furnish them, then I can not get them, can I?

Mr. Voigt. Before you had any refrigerator cars of your own, did you depend on the railroads?

Mr. Brennan. Yes, absolutely—no; we got some from the packers occasionally.

Mr. Voigt. But you got most of them from the railroads?

Mr. Brennan. Well, I suppose about half and half.

Mr. Voigt. Did you get satisfactory service from the railroads at that time?

Mr. Brennan. No; I would not say that we did. If we had got satisfactory service, of course, we would not be compelled to purchase cars.

Mr. Voigt. If you had gotten satisfactory service from the railroads you would not have bought any of your own?

Mr. Brennan. No; if there was no occasion to, of course.

Mr. Voigt. Then you prefer to stand this loss that you speak of and still own and operate them yourself?

Mr. Brennan. Sure; I think it is necessary to own your cars. Then you know what you are doing. For instance, we have three or four or five cars of beef sold that we have got to ship—contracted—to New York, Boston, Philadelphia, or somewhere else. Now, we will say this beef is killed yesterday or the day before, and it ought to be shipped to-day. Suppose we can not get cars for that shipment. The beef is hanging, and it is deteriorating, and if it is warm weather it will reach its destination and the buyer will turn it down and then you are up against a serious condition.

Mr. VOIGT. Then, although it is not profitable for you to run these cars, it is profitable for you so far as your whole business is concerned?

Mr. BRENNAN. Well, it is absolutely necessary to have them; that is what I am trying to say.

Mr. VOIGT. Although you incur a loss on the operation of the cars, still by owning the cars you make a greater profit in your business than you would if you did not have the cars?

Mr. BRENNAN. Well, yes. Absolutely. You could not run the business without them. That is my contention.

Mr. VOIGT. Well, you did run your business without them before you had them, did you not?

Mr. BRENNAN. Well, we did. But we did not expand. We were not doing much beef business, and of course you can ship cured pork products in the winter time in almost any kind of a car, but when it comes to shipping beef, that is more hazardous and you have got to have equipment that is right and will deliver the goods in good condition.

Mr. RAINEY. Since you have had these cars your business has expanded and grown?

Mr. BRENNAN. Yes; I know it has.

Mr. VOIGT. Then the man who has not these cars is under a handicap?

Mr. BRENNAN. If he is in that line of business. You know, as the Congressman said a moment ago—he asked me what proportion of our business was local. There are some people who do practically a local business almost exclusively.

Mr. VOIGT. Let me put it this way. The small packer who does not own cars is handicapped?

Mr. BRENNAN. He is if he is doing an outside business or attempting to invade the outside markets.

Mr. VOIGT. Well, let us put it this way. Any small packer who is desirous of growing in his business is handicapped if he does not own refrigerator cars?

Mr. BRENNAN. I think he is.

Mr. VOIGT. Do you think, as a general proposition, that it is in the interest of the public that railroad freight cars should be owned by individuals?

Mr. BRENNAN. Well, yes; that is all right for freight cars. But I do not compare the refrigerator car to the freight car as being a parallel case. I do not care who owns a coal car or a salt car or a brick car or a sand car. That is not important business, but this product that we are talking about and dealing in is absolutely perishable and it has got to be protected, or, of course, you know the result.

Mr. VOIGT. Well, it is a freight car especially built for a given purpose?

Mr. BRENNAN. That is, the refrigerator car?

Mr. VOIGT. Yes.

Mr. BRENNAN. Yes, sir; surely.

Mr. VOIGT. Would you be in favor of having the large coal miners in this country own their own coal cars?

Mr. BRENNAN. It would be immaterial to me.

Mr. VOIGT. As a matter of public policy, do you think that would be all right?

Mr. BRENNAN. I certainly do. I think we might possibly get better service.

Mr. VOIGT. Do you think it would be all right for the automobile manufacturers to own cars in which to transport automobiles?

Mr. BRENNAN. Well, as far as the public is concerned I think it would be immaterial.

Mr. VOIGT. And so far as you can see it would not make any difference to the public whether individual lines of business owned their own freight cars?

Mr. BRENNAN. Why, I do not see that it would. If a corporation had sufficient use for cars I do not see why it would affect the public. We buy our coal at a certain price, and we take it at the price. We have not got much to say about the price of coal; we just buy it as it comes along, and I do not know whose cars they are really. I do not think it would make any difference to us.

Mr. VOIGT. I just wanted to get your viewpoint on it.

Mr. VEEDER. Mr. Chairman, may I ask the witness a question?

Mr. MCLAUGHLIN of Michigan (presiding). Yes.

Mr. VEEDER. Mr. Brennan, is it not a fact that some packers' business is such that they do not need refrigerator cars in their business?

Mr. BRENNAN. Yes.

Mr. VEEDER. That is, packers whose business is local?

Mr. BRENNAN. Yes, I think so.

Mr. VEEDER. And is it not a fact that other packers who have to ship out from their plants do require cars in their business?

Mr. BRENNAN. Yes, sir.

Mr. VEEDER. Is it not also a fact that the ownership of the car is not the cause of a packer having a local business or a shipping business, but the fact that he has a shipping business is the reason why he needs cars? In other words, does not the ownership of cars follow the class of business and the development of business rather than cause the development of the business?

Mr. BRENNAN. That is absolutely correct.

Mr. MARSH. Mr. Chairman, I would like to ask Mr. Brennan a few questions. If I understood you, Mr. Brennan, you said that under this Anderson bill by a message from Washington, if I correctly understood it, the packing plant could be closed. What section of the bill gives any power to do that. May I read the provision?—because I think you must have misinterpreted the bill.

Mr. BRENNAN. In connection with this bill there are three or four other bills.

Mr. MARSH. It is the Anderson bill I am discussing.

Mr. BRENNAN. But in connection with this Anderson bill there are two or three others involved as well.

Mr. MARSH. But, you see, we are discussing what measures should be incorporated in the bill. Of course the committee will probably report out a rather modified bill. I am just trying to get at the principle of your objection.

If there were a provision that a court of appeals might affirm or set aside that order of the Secretary of Agriculture or the commission, or direct him to modify his order, and that any action had to be approved and made by order of the court, would that remove your objection?

Mr. **Brennan.** No.

Mr. **Marsh.** Do you remember the *Eastland* disaster in Chicago a few years ago?

Mr. **Brennan.** Yes; very well.

Mr. **Marsh.** Does not that indicate the need for Government supervision over public necessities?

Mr. **Brennan.** I do not know what the Government would have to do with that accident.

Mr. **Marsh.** If it was supposed to have taken action to prevent such accidents, you would not object?

Mr. **Brennan.** There are laws now, you know, that are not enforced.

Mr. **Marsh.** I was trying to get at your objection to this regulation.

Mr. **Rainey.** There were laws in force at the time with reference to that disaster that would have prevented it if they had been carried into effect?

Mr. **Brennan.** Absolutely.

Mr. **Marsh.** Well, who is responsible? I did not intend to enter into that.

Mr. **Rainey.** Remember, also, there were sufficient laws on the statute books at the time to have prevented that disaster if they had been enforced.

Mr. **Marsh.** But the point we are raising with the witness, Mr. Rainey, is this: Whether or not the Government has any right to supervise business activities, and if so, to what extent? I was trying to get from Mr. Brennan, who I think has been through a very interesting experience, why his position is opposite to that of literally scores of farmers' cooperatives, at whose request among others I am here urging this legislation. I do not mean to be captious.

Now, Mr. Brennan, would it not be true that with from 91 to 93 per cent of the refrigerator cars owned by the packers, the packers would naturally object to the railroads supplying their privately owned cars to independents so as to put them on the same level?

Mr. **Brennan.** Well, I expressed my views very clearly on that subject. I think the packer can prosecute his business with better results by knowing that his own cars are what he requires, that they are efficient, that they are properly constructed, and all that.

And in connection with those cars, I think that the packers ought to be allowed to maintain their own cars, those that they own or have built and purchased from time to time, and if any other outside interests, small packers or any other packers, require cars the railroads, I think, might easily furnish those cars. Either that, or they could purchase them on time, according to their financial strength.

Mr. **Marsh.** You realize that the railroads are not going to be handicapped for money. Congress has opened the doors of the Treasury to them, and they are to spend what they need and then get a guaranteed dividend. They are going to have ample funds to get all the refrigerator cars that are needed.

Now, if you were just starting into business, let us say out in Nebraska or Wisconsin, with an independent packing plant or cooperative packing plant with small capital, would not the initial investment to secure refrigerator cars be quite an item?

Mr. **Brennan.** Well, if they were just starting on a very small scale, as Mr. Veeder suggested, they would not require refrigerator cars. You can not commence at the top of the ladder in any business. A small packer or a small operator of any kind wants to begin in proportion to his strength and go along accordingly, just like the child that begins to walk, from one step to another. That has been my experience, and I think that explains it satisfactorily.

Mr. MARSH. The point is this. I admit that the big packer does not want them to develop rapidly. That is conceded. Take the Nebraska Farmers' Union, which handles about $25,000,000 worth of live stock a year. Take the Cooperative Equity Exchange, of St. Paul, which handles over a score of million dollars. They would like to start their own cooperative plants. You use the expression, if they attempt to invade outside business——

Mr. BRENNAN. I had reference to packers already in the business, That was a comparison between local business and foreign business—outside or interstate business.

Mr. MARSH. If I understand you correctly, then, the operation of refrigerator cars by the railroads would enable these independent cooperatives in a very short time to engage in active competition in the marketing of perishable meat products?

Mr. BRENNAN. All right; I suggest, then, that the railroads furnish all who require cars and make it optional with the people in the packing business if they want to own their own cars. That is my idea.

Mr. MARSH. You will pardon me for saying that it looks like rather a selfish proposition.

Mr. BRENNAN. I would not think so.

Mr. RAINEY. You were asked the question there, that the big packers did not want the little packer to grow, and it was said that that had been conceded. Now, I have listened to this testimony here for more than three weeks, and I have never heard that concession yet.

Mr. BROWN. I have not heard it, either.

Mr. RAINEY. What has been your experience as a small packer; do you come in competition with the large packer?

Mr. BRENNAN. Every day in the year for the last 15 years.

Mr. RAINEY. In buying?

Mr. BRENNAN. I should say for the last 20 years. I have been longer than 20 years in the business, but not in this particular company.

Mr. RAINEY. In buying?

Mr. BRENNAN. Yes, sir; in buying live stock at all stages.

Mr. RAINEY. And in selling?

Mr. BRENNAN. And in selling.

Mr. RAINEY. Have the big packers ever taken any unfair advantage of you?

Mr. BRENNAN. Not that I am aware of.

Mr. RAINEY. And have you known of the Big Five at any time being in collusion, attempting to put you out of business?

Mr. BRENNAN. Not that I know of; I have never noticed it.

Mr. RAINEY. Are you a member of an organization or association that comprises a number of the smaller packers?

Mr. BRENNAN. No; there is no society, except, as I stated awhile ago, since the war and in connection with labor questions. That is the only organization.

Mr. RAINEY. Have the small packers some organization? Some gentleman here from Minnesota, I think, suggested that quite frequently he attended conventions of organizations where a number of the small packers got together.

Mr. **Brennan.** There have been some meetings called in connection with the export business since the close of the war, but, I think, under the management of the Meat Packers' Association. I do not think it was confined particularly to small or large.

Mr. **Rainey.** You come in contact with a number of small packers like yourself?

Mr. **Brennan.** I do, very frequently.

Mr. **Rainey.** Have you ever heard them express the thought that the big packers were in collusion or used these unfair practices as far as the small packers were concerned?

Mr. **Brennan.** I never have.

Mr. **Marsh.** Now, Mr. Brennan, how would you interpret this testimony of Mr. Swift's as welcoming competition, given before the Senate Committee on Agriculture:

> I am not hostile toward anybody. I just want to maintain our volume as nearly as I can.

Does that mean "Come on; we want all the competition we can get, even if it reduces our volume"?

Mr. **Brennan.** Well, I think it is an open field and always has been. I do not see anything wrong about that.

Mr. **Marsh.** It is an open field for the fellow who has the refrigerator cars?

Mr. **Brennan.** As I stated before, I do not think it makes any difference about these refrigerator cars. If they need the refrigerator cars, if they are financially able, they can get cars the same as they can buy stock.

Mr. **McKinley.** Mr. Brennan, won't you put in the record there the way they can buy cars from the car companies? You probably know.

Mr. **Brennan.** I did that in my statement before the Senate committee. They can obtain cars and arrange to buy them——

Mr. **McKinley** (interposing). On how many years' time?

Mr. **Brennan.** Oh, two, three, or five—car-trust arrangements.

Mr. **McKinley.** Longer than that?

Mr. **Brennan.** Well, it may be, but those are about the conditions under which we purchased our cars.

Mr. **Anderson.** The whole question here is whether a refrigerator car is a plant facility or whether it is a facility of commerce, part of a railroad distributing system. Of course, if it is a plant facility, clearly, the plant ought to own it. If it is a part of the transportation system, then the same rule applies to it as applies to transportation generally, that it should be owned and operated under such conditions that whether a man ships one car load or a dozen carloads or a million carloads, he will get exactly the same service at exactly the same cost.

Mr. **Brennan.** Congressman, I think that the relation of a refrigerator car line to the packing business is the same as one finger is to your hand.

Mr. **Anderson.** Well, that is the whole question, as I said—whether the refrigerator car is a plant facility or whether it is a part of the distributing system.

Mr. **Brennan**. Don't you see, you can not operate your plant——

Mr. **Anderson** (interposing). Of course there is no difference in that respect between a refrigerator car and a freight car or stock car. When a farmer wants to ship his stock he has to have a car. There is no limit to that proposition. If we adopt the policy which you advocate we may have a railroad system under which every man who wants to ship a carload of stock will have to have his own car.

Mr. **Brennan**. Well, I do not advocate that, but the gentleman here asked me whether it would make any difference as far as I am concerned. I simply stated it would not make any difference to me in whose cars my supplies were shipped.

Mr. **Anderson**. What we have to do is to decide the public policy which is to be applied to this situation. There are apparently three things which we can do. We can say that everybody who needs a refrigerator car must get his own refrigerator car, or we can say that everybody who wants to can get his own refrigerator cars, and as to those who do not we will compel the railroads to supply cars to them. The objection to that is that apparently that can not be done without discrimination. The third proposition is that we can make all of these refrigerator cars in one form or another a part of the distributing system and available to everybody upon equal terms. We have to adopt one of those three policies, as I see it.

Mr. **Brennan**. I contend that if the packers were denied the right of ownership of their cars it would be going back. I think it would retard the progress of the country in stock raising. The greater the handicap in handling meats I think the more it reflects back on the producer. Lack of efficiency in delivery or in the condition of the cars naturally will reflect back to the producer. You can not go back day after day and pay the same price for stock when you know that you are losing money; you will sit on the fence and give your buyers orders to wait until the market comes. Cattle and hogs are shipped to the stockyards by the people in the country, and the buyers make the market to a great extent.

Mr. **Anderson**. Let me ask you this question: Are your shipments scattered? I mean, do you ship one day to Baltimore and another day to New York or wherever it may be, or do you have a regular route where you ship your cars day after day?

Mr. **Brennan**. We have what we call car lines, car routes, where we have certain representatives in certain towns, and a representative might fill one or two cars a week at a certain town. We have, as I say, several of those car route lines. That is the regular thing

Mr. **Anderson**. And those routes are made every day or twice a week, or every week, or something of that sort? It is a regular car line system?

Mr. **Brennan**. Yes. Of course, there are times when trade is slow and they can not fill the cars and we may not come up to the regular volume, but ordinarily it runs that way.

Mr. **Burke**. Mr. Brennan, in view of the fact that admittedly the refrigerator cars are some source of loss to you, if you could get adequate refrigerator-car service from the railroads or from some agency, some large car company that was not owned by your competitors, would you not prefer that to the present system of private ownership—if you could get adequate service from the railroads?

Mr. **Brennan**. Well, of course, that "if" is in the way.

Mr. **Burke**. But admitting that you could?

Mr. **Brennan**. If that was true, I would not be brilliant if I denied it. But I can not believe that, you know. Every man's success depends on his own engineering, don't you see?

Mr. **Burke**. Well, you can answer the question as it is put.

Mr. **Brennan**. Well, if that is true, yes. Why should I object?

Mr. **Burke**. You would prefer to get them from some outside agency?

Mr. **Brennan**. Absolutely, if they could furnish the cars.

Mr. **Veeder**. Mr. Brennan, do you know that the new railroad law that has just been passed requires the railroads to furnish refrigerators to all upon demand?

Mr. **Brennan**. No; I did not know that.

Mr. **Marsh**. May I correct that second misunderstanding? For some reason the words "refrigerator cars" were taken out of that bill in conference and only the words "special equipment" and "types" that are in there. If it were intended that refrigerator cars were to be furnished, those words should have been retained in there; but if, as Mr. Veeder understands, they were in there, there certainly is no objection to including that provision in this bill.

Now, may I ask this question? Do you often ship refrigerator cars back a very long distance empty?

Mr. **Brennan**. Usually always empty.

Mr. **Marsh**. I am going to ask permission to file with the committee the report of the Director General of Railroads, showing the tremendous economy effected through the handling of cars, so that cars, wherever they are found, could be used to save this enormous hauling of empty cars. That is a very big factor; a very big expense to the public. Now, that can not be done under private ownership, can it?

Mr. **Brennan**. It is not as big an expense as it would be to ship products at a loss. Now, by shipping these cars back, as the railroad usually does, we get the use of them again. If they loaded them and shipped them somewhere else, they might go from Chicago to St. Louis or from New York to St. Louis instead of going back to Chicago. That would not be a good business proposition, would it?

Mr. **Marsh**. No; but——

Mr. **Brennan**. Where would the railroads find cars to supply everybody that wanted those cars in the meat business?

Mr. **Marsh**. Well, the railroads, with a subsidy of three-quarters of a billion cash, with the gift from the Government of 155,000,000 acres of land and lots of subventions, have been able to furnish the right of way for transportation of packer-owned refrigerator cars. They are going to have more or less unified operation now, and my point is that from the point of view of national economy we can make a great saving by having the railroads own all the refrigerator cars, so that the refrigerator cars when needed at a certain point are sent to that point from the nearest point where they are available, and you do not have to chase empties across the continent.

Mr. **Brennan**. I can not see it that way at all.

Mr. **Marsh**. One final statement. You say you have not suffered from the interference of the big packers. Mr. Armour admitted this in reply to a question by Mr. Heney:

> Of course, Mr. Heney, the big man, I suppose, if he has money enough, can kill off the small man, if he has money enough to do it.

Now, do you understand that the Big Five can put you out of business if they wanted to?

Mr. BRENNAN. Let me answer that question in this way. There is not anything in the world that would stop the big packers from putting me out of business by going out and holding a gun up to my head and shooting me.

Mr. MARSH. Very well. Do you think it is any encouragement to the independent cooperative packing plant to have that condition continue?

Mr. BRENNAN. Here is all I can say. You heard my statement about what our success has been in 15 years. I am satisfied; I am getting along in years; I have enough to go ahead and live on, and if the big packers can do anything, why, all right. They have not done anything to me that I am sorry for. I am going along in my own way. I am not inviting any scrap with anybody; I am attending to my business as I have always done; and I think that is what the country wants—that people should attend to their own business and go along in a reasonable and sane way, and if they are doing pretty well let it go at that.

Mr. MARSH. Well, of course, you do not blame the committee for taking the public viewpoint?

Mr. BRENNAN. Certainly not, but don't you see the reasonableness of the stand I take?

Mr. MARSH. You have asked me a question. With the permission of the chairman I will answer it.

The CHAIRMAN. I do not care whether you answer it or not.

Mr. MARSH. Very well, I know you are hurried.

Mr. ANDERSON. Do you operate branch houses, Mr. Brennan?

Mr. BRENNAN. Not exactly what we call branch houses. We have sales branches. For instance, we have a representative in New York—an office.

Mr. ANDERSON. And you use public storage?

Mr. BRENNAN. Well, it is usually sold on track, you know, by special orders—delivered.

Mr. ANDERSON. To jobbers or retailers?

Mr. BRENNAN. To wholesalers; that is, butchers and that class—ham boilers.

Mr. ANDERSON. You do not operate any branch houses as such?

Mr. BRENNAN. Not outside of Chicago. We have sales departments at different points in the East—Boston, New York, and Philadelphia.

Mr. MARSH. Just to keep the record straight, I do not agree with the proposition the gentleman put to me, as I understand it.

May I ask this final question: I did not hear you object to the railroads owning the stockyards. Do you see any objection to such ownership of the principal and necessary stockyards?

Mr. BRENNAN. I have not had that question brought up. I did not know the railroads had any interest in the stockyards.

Mr. MARSH. No. Of course, they are owned largely by the packers now. I do not know the details of that, but the suggestion has been made by the Farmers' National Council and others that the railroads acquire the principal and necessary stockyards.

Mr. BRENNAN. I shall be glad to answer that by giving you the experience I have had. I have been in Chicago in the stockyards for

41 years. I have not been in the packing business that long, but I have been 41 years in the stockyards, and intimately connected with the people doing the actual business there, in touch with them all the time, and I have never seen or known of or experienced any difference as to who owned the stockyards or who did not. I have been there a long time, as I told you, and the question has never occurred to me; it has never been discussed by people doing business in the stockyards—shippers or speculators or packers. It never seemed to occur to them to make any difference who owned the stockyards. That is how uninterrupted was the business carried on through all those years.

Mr. ANDERSON. Have you operated in other stockyards than Chicago?

Mr. BRENNAN. Only in buying our supplies at times. For instance, we might send an order for a few loads of cattle to St. Paul, or a few loads of hogs—Sioux City, Kansas City, Louisville, or St. Louis—when in our judgment it would probably be a little bit cheaper than we could buy them in some other market.

Mr. ANDERSON. You buy through order buyers in those cases, I assume?

Mr. BRENNAN. Usually, yes.

Mr. ANDERSON. The only reason I asked you that question is that your experience in the Chicago yards would not be significant so far as packer ownership is concerned, because there has not been much, if any, there until recent years.

Mr. BRENNAN. But I say I have never had any difficulty in securing supplies from any market, wherever we found it to our advantage to give orders.

Mr. MARSH. Were you a live-stock commission man before you went into the packing business?

Mr. BRENNAN. No; I was a live-stock speculator.

Mr. MARSH. You did not conduct any commission business at all?

Mr. BRENNAN. No; I never had anything to do with any commission business—just a speculator in a small way.

Mr. LEE. Just buying and selling?

Mr. BRENNAN. Just buying and selling.

Mr. BURKE. May I ask you this, along the line of Mr. Andersons' questions, about branch houses? Mr. Brennan, do you find it to your disadvantage at times, particularly in times of oversupply and glutted markets, not to have these branch-house facilities where you are shipping your refrigerator cars? Do you find it a drawback to your business?

Mr. BRENNAN. Not having had that experience, don't you know, I could not say.

Mr. BURKE. You must have the experience of running into glutted markets at times when you have your refrigerator car out and get it down to some distributing center?

Mr. BRENNAN. But those sales are made in advance before they are shipped.

Mr. BURKE. Don't you ever shoot them out into space and have to depend on the market to take care of them?

Mr. BRENNAN. Oh, no; we could not afford to do that unless we had some connection with a broker that we might ship the stuff to on consignment. That has often been done both here and abroad—

I do not speak of beef now when I speak of shipping abroad, but other products—pork products, for instance.

Mr. Burke. But the ownership of branch houses on your part would be of decided advantage to you in your way of doing business?

Mr. Brennan. If we had enough we might consider that it would, but don't you know, it requires a larger organization and a little more trouble?

Mr. Burke. And a little more money.

Mr. Brennan. Not so much the money; but it requires a bigger organization. For instance, if we had a branch in Washington we would have to have a little organization, four or five men; and in case our manager here quit then we would be up against a difficult proposition. I think that explains the situation pretty well. On the other hand, if you have a representative, a broker who sells your product on commission, I do not know that there is any great handicap.

Mr. Burke. But that broker does not have storage facilities, so if you did not happen to find a market he could not take care of it?

Mr. Brennan. There are brokers who have storage facilities and refrigeration. That is true; I know that.

Mr. Rainey. If you believed it to be advantageous to your business, you would establish branch houses?

Mr. Brennan. Yes; there would not be any law against it, of course.

The Chairman. You said your plant was outside the stockyards?

Mr. Brennan. Yes; just outside of the stockyards.

The Chairman. Are there any opportunities for new concerns to engage in the business?

Mr. Brennan. Why, yes; there is if they can get a location and if they wish to. In fact, I know some who are building now, possibly.

The Chairman. Locations are available?

Mr. Brennan. Yes, it is possible.

The Chairman. Do you have to drive your stock through the streets?

Mr. Brennan. I do not have to, but other people do.

The Chairman. Are there any other locations accessible to the yards?

Mr. Brennan. Not that I know of.

The Chairman. Very well. We are very grateful to you, sir.

Mr. Brennan. I am much obliged to you, gentlemen.

Mr. Rainey. I will ask the committee to hear Mr. Baldwin.

STATEMENT OF MR. M. W. BALDWIN, TRAFFIC MANAGER, REPRESENTING THE SIOUX CITY LIVE STOCK EXCHANGE, SIOUX CITY, IOWA.

Mr. Baldwin. Mr. Chairman, I have here a few telegrams and letters from constituents at Sioux City, which I would like to put into the record, even if you do not care for me to take the time to read them. They are the usual kind of letter and telegram that comes from people who are interested in these matters, but I would like to read them if there is no objection.

The Chairman. You might read one.

Mr. Anderson. I have about 500 of them in my office if you are going to start that practice. I am perfectly willing to have you start it if you want to.

Mr. **Rainey**. I agree with Mr. Anderson; I have got them, too.

Mr. **Baldwin**. This letter is from C. S. Buckley & Sons, of Dakota City, Nebr., and Holstein, Iowa; they have two places [reading]:

> Holstein, Iowa—Dakota City, Nebr.,
> *February 28, 1920.*
>
> Paul H. Caldwell,
> *Secretary Sioux City Live Stock Exchange, Sioux City, Iowa.*
>
> Gentlemen: Wish you would use all your influence to prevent the passage of the Anderson bill now before Congress and fight any similar bill that comes up.
>
> The sooner those folks down at Washington can be made to realize that this continual agitation against the live-stock business is costing cattle feeders thousands of dollars, that it is such bills as these Kenyon-Kendrick-Anderson affairs that spell ruination for the stockmen, that an end to such nonsense would do much to strengthen live-stock conditions and would serve to increase instead of decrease rural production, the better off this country will be.
>
> Government control of the railroads was a complete failure and mighty expensive to the live-stock men. Government control of the telephones was not a success, so then why take anything of such importance as the live-stock industry away from men who thoroughly understand the business and have made a success of it? Every move to hamper the packer is a blow to the live-stock producer, and there are too many limitations now. Thanking you, we are,
>
> Yours, truly,
>
> C. S. Buckley & Sons,
> By C. S. Buckley.

There are only eight of those.

The **Chairman**. Are they all of the same character?

Mr. **Baldwin**. They are all of the same character.

Mr. **McLaughlin** of Michigan. If they are all of the same character, you might give the names.

Mr. **Anderson**. Yes; if you want to give the names of the parties they are from, I will not object to that.

Mr. **Baldwin**. One is from Mr. Payne Sargisson, addressed to W. D. Boies, Representative, Washington, D. C. He is the largest landholder in the county of Woodbury, State of Iowa.

Here is another from R. E. Richards, Moville, Iowa, producer and feeder of live stock. It is to the same effect.

Another from Peter Lamp, of Mapleton, Iowa, a large producer and feeder of live stock.

One from Henry Willer, who lives at Akron, Iowa. He is a large feeder of live stock and buys most of his stock west of the River.

C. P. Downing, of Ute, Iowa. I think he is a banker and also a live-stock man.

The Fullerton Lumber Co., of Platte, S. Dak. They maintain a buying station at Platte.

F. P. Swan Lumber Co., who also maintain a buying station.

H. H. Cable, of Hudson, S. Dak. He is a large feeder of live stock.

Then there is a telegram from the Sioux City Live Stock Exchange, sent to Mr. Boies:

> Having heard from a multiplicity of our patrons, producers of live stock, most earnestly protest as to the proposal to place control and supervision of the live-stock industry in the hands of a commission or bureau, without prescribed limitation as to their regulatory powers. We again register our most vigorous opposition to pending legislation. On behalf of the producer and ourselves we most earnestly pray your opposition to all such legislative action which does not have the unqualified indorsement of the actual producer of live stock.

Representing the Sioux City Live Stock Exchange, we desire to protest against the passage of this bill, believing that the future good of the public will not be served by hampering restrictions and artificially increased production in the live stock business. The history of the past few years is eloquent in denunciation of the latter. During the war the farmer and live stock raiser, imbued with patriotism, "did his bit," and our armies and allies were well fed.

Stock raising made rapid increase in order to meet the ever increasing demand for food. Urged on by the Government, and by the individuals' honest desire to be of help in making the world safe for democracy, production was so increased as to meet the demands. To-day the war is over; the demand for live stock is greatly reduced, the prices are lower to such extent that financial ruin is staring many men in the face who made the war supply possible.

History will show that this is not an isolated case; that wherever artificial stimulus is applied, results are bad in the final reckoning; what is excusable, what is the right and proper thing to do under stress of war, is frequently the reverse in peace; we are firmly of the opinion that it is not to the interest of the producer of live stock that artificial stimuli be applied to this industry at this time; for whenever legislative action endeavors to superimpose itself over the law of supply and demand, havoc is in the offing.

We are firmly of the opinion that the live-stock industry needs protection along certain lines which we wish to call your attention to a little later; but we are equally of the belief that production should be increased or reduced only under the law of supply and demand, and then only under normal conditions; and we find nothing in this bill tending to that end.

We oppose the passage of this bill in that it proposes that the commission of three shall be political appointees, with no provision of their fitness for position; they have the power to employ and fix the compensation of certain parties without limitation; thus putting the revenues of the nation at the mercy of an unknown quantity; they have the power to make rules which supersede the law of the land, and have autocratic power of enforcement; thereby robbing the citizen of his constitutional right of defense in the open courts of the land; also denying our citizenry the right to vote and elect those who are to make our laws.

Mr. ANDERSON. I would like to ask you about 29 questions on that paragraph, if I may. You say they have the power to employ and fix the compensation of certain parties without limitation, thus putting the revenues of the nation at the mercy of an unknown quantity. Now, I do not know whether you know it or not, but is it not true that they can not hire anybody and pay them anything unless Congress first appropriates the money?

Mr. BALDWIN. It says in section 4, line 18:

> Each commissioner shall receive an annual salary of $10,000. The commission shall appoint a secretary, who shall receive an annual salary of $5,000, and it may employ and fix the compensation of such attorneys, special experts, examiners, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties and as may be appropriated for by Congress.

Mr. ANDERSON. Yes—as may be appropriated for by Congress. Of course until Congress makes the appropriation they have no authority to employ anybody, and if they employ anybody and do not have the money to pay him they would be violating the law.

Mr. BALDWIN. Certainly it appears that there is no limitation there.

Mr. ANDERSON. No; there never is in any of these laws.

Mr. **Baldwin**. Of course I am not giving this as an attorney, one who understands all these things, but strictly as a layman who has read this bill as a layman, and as I read it and as our men read it.

Mr. **Anderson**. I think you are clearly in error as to that.

Mr. **Rainey**. But, Mr. Baldwin, when bureaus and commissions are created, and certain appropriations made, we have enjoyed the experience that Congress does vote money to increase their sphere of activities.

Mr. **Baldwin**. That certainly is part of our contention.

Mr. **Anderson**. You do not think Congress ought to be deprived of the power to appropriate money to enforce the law?

Mr. **Baldwin**. No, sir; I do not. But I think there should be some limitation on this bureau.

Mr. **Anderson**. There is a limitation—the amount of money which Congress would appropriate. Suppose you put a provision in here that the expenses of this bureau should not be more than $100,000. Congress could repeal that to-morrow. So there is no practical limit on that in any event.

Mr. **Rainey**. But the idea of your association would obviate any appropriation whatsoever, by not having a commission? Is that the idea?

Mr. **Baldwin**. Yes; unless there was an absolute limitation to it, which I now understand seems to be impossible. You have not the power to put on a limitation that would be operative.

Mr. **Anderson**. I will just call your attention in this connection to section 29 of this bill, which provides that the sum of $75,000 is appropriated out of any money in the treasury not otherwise appropriated, available immediately and until expended, for carrying out the provisions of this act, etc. Of course, whoever administered this act would not have authority to spend more than the $75,000 appropriated.

Mr. **Baldwin**. Until that was used and further money appropriated.

Mr. **Anderson**. Yes. So there is a limitation on the expenditure, which may be represented by the amount which Congress provides for the purpose.

Now, you say that this commission will have the power to make rules which supersede the law of the land. By that do you mean rules which are outside of the provisions of the act itself or which go beyond the provisions of the act itself?

Mr. **Baldwin**. In a broad sense; yes. I feel that the rules would in a sense supersede the law.

Mr. **Anderson**. Of course if they did that they would be wholly void.

Mr. **Baldwin**. Well, we should have just as much trouble then to overcome those rules as we would have in living under them.

Mr. **Anderson**. But it is scarcely sound, it seems to me, to assume that a governmental agency is knowingly and wilfully and intentionally going to issue a void regulation. If you are going to assume that you might as well assume that we will have no Government at all.

Mr. **Baldwin**. Under the law of the Bureau of Markets they make rules for us which, as far as we know, supersede the law. I do not know whether they do or not, really, but we feel that they make laws to govern us—the Bureau of Markets and also the Bureau of Animal Industry. They make rules for us.

Mr. ANDERSON. They make rules to carry out the law, not to supersede the law.

Mr. BALDWIN. Well, they appear to us to supersede the law in many instances.

Mr. ANDERSON. If they do, you ought to contest them.

Mr. BALDWIN. We have contested them and had things changed in our favor to prevent those rules being enforced.

Mr. ANDERSON. All right. Go ahead.

Mr. BALDWIN. We, as commission men, object to being made a party to any such drastic legislation, knowing that we have not been guilty of those things which by inference are charged to us, and of which we appear to be found quilty without process of trial. We believe that the various exchanges at the public markets have been a most important and contributory factor in the growth and development of the live-stock industry; that we honestly and efficiently represent the live stock producer in marketing his stock; that we constantly endeavor to guard his best interests; that we initiate action in accessible courts for the purpose of improving conditions for him; that we appear before commerce commissions, legislative and legal bodies, acting as the representative of the industry, and making honest endeavor to secure for the farmer and producer better railroad service, and equitable laws and conditions tending to guard his welfare wherever possible; and we know that we have earned the right to be considered a representative of those who raise stock for the market, and as such we object to being of those against whom such legislation is hurled.

Nor do we think that the live-stock industry should be singled out as the butt of any clique of political appointees; that a tremendous responsibility rests on any party who sponsors it; that the cost of such committee must fall on a people already groaning under an overload of taxation, and there are no limitations to the cost; that being under political domination the producer is more likely to suffer than would the consumer, for the live-stock raiser is a minority factor and the consumer a majority power; and the power of a political body is generally thrown to the support of the majority.

Our exchange has many sad memories of the time when our stock-yards was owned and managed by private capital, and it will be a sad day for our patrons when packer ownership and management ceases.

I have been actively interested in the commission business at Sioux City since the winter of 1889, covering a period of 30 years; and at the time I started there hogs were selling at about $3 per 100 pounds, beef cattle from $2 to $4, corn from 10 to 25 cents a bushel, desirable land $25 to $50; and at those prices farmers bought and paid for land. As the years passed the level of values raised gradually, and in a sense the value of hogs, cattle, corn, and land maintained an equilibrium; certainly there were times of stress when adverse influences caused serious disturbance and hardship for farmers; and, again, there were times when he could rejoice and feel glad.

During the spring and summer of 1914 hogs were selling from $8 to $8.50, a good class of fat cattle from $7.50 to $8.50, corn 50 cents to

60 cents, land $100 to $150, and this level of values had been reached by the natural process of time and improvement.

The coming of war stimulated production, and, urged by patriotism and Government promise, the farmer "did his bit;" he was rewarded by high prices for what he had to sell and mulcted by still higher prices for that which he had to buy; the exaggerated prices of all things also attacked the soil, and desirable land changed hands at such prices that only a continuation of high live-stock values can ever make it possible for those who bought to pay; and the day of reckoning comes fast for those who went in debt for land bought at $300 or more per acre; and it is doubtful if a man could ever live long enough to pay for such land if the value of what he produces falls to pre-war prices. There is nothing in this proposed legislation which pertains to the protection of the farmer under those conditions; and there are many who will need help; for the inflated values of war time enabled many farmers to close their books and retire, leaving the burden of artificially valued land to the young generation; many backs will be broken, and there is nothing written in this bill to lighten the burden.

We believe that such parts of the bill as directly apply to the conduct and operations of the commission men on public markets are all embodied in better form in the rules and by-laws of the exchanges, and that they are more rigidly enforced than they would be should such exchanges be disfranchised and the tenets of the bill be enforced under Federal jurisdiction.

Mr. ANDERSON. You think some rules and regulations are necessary for the conduct of commission men in the stockyards?

Mr. BALDWIN. We have them, sir.

Mr. ANDERSON. Well, do you think they are necessary?

Mr. BALDWIN. Yes, sir; they are.

Mr. ANDERSON. Well, the only way in which I differ with you about that is that I think those rules might better be enforced by purely disinterested agencies.

Mr. BALDWIN. It must be borne in mind that a large volume of the cattle business is a matter of selling a farmer's cattle to another farmer; for stock and feeding cattle reach all markets in large volume, and must be resold to an interested party; it is the duty of the commission man, acting as the representative of the shipper, to sell such cattle as high as he can regardless of whom he sells to; but he can not sell them any higher than a second party is willing to pay; thus it is the duty of the commission man to obtain all the money that he can for his client; but the buyer is bound only by his desire to become the owner, and on his expectation of realizing a profit on the venture; he is under no duress to buy any one designated lot, but has his choice on the open market. Should he pay a high price, and in a broad sense he has to be the highest bidder on the lot he ultimately procures, the benefit accrues to the producer who sent the stock to market; no part of that exploited value accrues to the commission man; he is simply getting credit for having made a good sale, and being paid just the same fee as when he is so unfortunate as to make a sale which proves unsatisfactory.

This same idea pertains to the marketing of stock and feeding sheep and lambs, and on stock (feeding) hogs.

Section 14 indicates that it shall be unlawful to "charge any unreasonable price," and we must assume that it simply applies to the fee collected for service, and has nothing to do with the price charged for stock sold on the open market; but it is ambiguous in that it does not define the point definitely, and leaves it open to adverse construction.

There is no provision in this bill whereby the producer is protected at such times when the markets are glutted with live stock, and the avenues of the meat trade overloaded, and such protection is the glaring need of the hour in this industry; for at such times the owner of live stock caught on such markets often loses the entire value of a season's work and investment; such breaks are often only a temporary matter, but those caught in it are penalized for a condition over which they have no control, and are not in any sense to blame; nor is the packer buyer always able to realize what appears to be a great advantage, for the reason that with the normal avenues overloaded, expenses become higher than they should be; efficiency is lessened, and enough loss accrues so that the consumer gets but little benefit; and this is undoubtedly the main reason for the unrest and dissatisfaction which pervades the whole industry; the producer constantly in danger, and the consumer getting no benefit from the producer's loss.

There is nothing in this bill whereby prospective buyers could be forced to maintain prices, or at values quotable prior to the glutting of the market, and to even suggest it would be absurd.

There is nothing in this bill tending toward regulating the supply of live stock so that it would be delivered in a steady flow as needed; indeed, such action appears to be absolutely impossible, for the live-stock business is seasonable, and at certain times of the year is harvested; in the fall there is an immense crop of grass-made beef; this is the cheapest made and the best beef of which we have knowledge; and the period of marketing is short; at this same time of the year there is another class of cattle needed by those who make a business of converting corn into beef, and at the same time there is that class od stock to be moved which the owner deems unprofitable to carry through the winter; this tends to overstocked markets and wild fluctuations in prices. As a rule it is the man who depends on cattle raising for his livelihood who is the sufferer, and who has no other means of support, for the major part of the fall trade comes from the western ranches. During winter and spring the great corn-fed beef and pork crop is marketed, and transportation is very much at the mercy of the elements, weather conditions being an important factor in moving the crop, and again we have overloaded markets and wild markets. During the summer months the movement of live stock is light, as the crop is in the making.

It is usual to blame an overloaded market with those bad breaks which play havoc with the fortunes of the producer, but the fault really lies elsewhere, for the congestion really takes place at the slaughterhouses, when the facilities for taking care of the product are taxed to their limits, and there is no immediate means of relieving such congestion. Such condition brings the business to an impasse and forces the flow of business into makeshift channels, and when the usual lines of efficient operation become inoperative and other and makeshift methods are utilized, the cost of operation is greatly enhanced, and that cost falls on the producer. There is nothing in this bill providing a remedy, and it is a condition that could be readily remedied.

We have indicated that we were of opinion that in some respects the live-stock industry needed protection; this protection lies in the line of stabilizing prices to the producer, and also stabilizing the supply, thus protecting the consumer. This we feel can not be done under a system of artificial and autocratic regulation; it must seek to augment, not revolutionize, natural laws; we are advocating nothing new; history may be made to repeat itself to the advantage of everyone.

We read in Holy Script that some thousands of years ago Pharaoh, ruler of the Egyptians, erected vast government storehouses for the purpose of carrying the oversupply of grain during fat years, with the idea of relieving distress during lean times; the idea originated with an Israelite of the name of Joseph and appears to have been a great success.

All of our years are fat years, but during certain periods we suffer through a plethora of good things, and at those times a valued portion of our population suffers all the pangs of famine; in fact that particular year is as though they had raised no crop, and could pay no debts, often having to borrow from the usurer in order to continue living, and this is a sad situation in our land of constant plenty. What we need is a Joseph who would erect vast storage plants at strategic points, whereby the surplus of any given period could be quickly absorbed and held against the time it could be utilized to advantage; Pharaoh would either pay for such stocks outright, or issue negotiable bills, enabling the traffic to continue operation without stagnation owing to lack of finances. There are plenty of Josephs in this land of ours, who would quickly be able to put this method into successful operation.

Thus every slaughter house would be able to utilize the full value of its capacity; prices could never fluctuate wildly, because the stock in bond would be there at a known and positive value, and being under Federal control would act as a balance wheel; it would at all times act as an assurance to the producer that he would be assured fluent demand for his stock, and that values would be within reasonable assurance; it would assure the consumer that he would never be the victim of combination or manipulation.

The aforesaid plan has the authority of the Supreme Author of man's destiny, and it would be well for our law makers to read a modern interpretation into the dreams of Pharaoh; for even as he was troubled and vexed; even as he called in all the wise men, so have you called in the wise men. I have no doubt but that he was a pretty sick man during those years of plenty, when the government exchequer was running low, but history backs his play, and makes Joseph one of the industrial heroes of all time.

This is what the Sioux City Live Stock Exchange wished me to tell you; and in the telling we believe that we honestly represent the best interests of the patrons of our market.

Mr. RAINEY. Just one question. You referred in your statement to Senate bill 3944, and you read a resolution. Will you state to the committee whether or not that resolution includes the Anderson bill that has in view the appointment of a commission?

Mr. Baldwin. Yes, sir. This was taken up by the live stock exchange prior to this, and the Kenyon-Kendrick bill, the Anderson bill, and the Gronna bill were all united in their minds in this formal protest.

Mr. Rainey. So that the protest includes the Anderson bill as well?

Mr. Baldwin. Yes; every bill tending toward this sort of legislation.

The Chairman. You said it was the duty of the commission man to sell to the highest bidder?

Mr. Baldwin. Yes, sir.

The Chairman. Is that the practice in Sioux City?

Mr. Baldwin. Yes, sir.

The Chairman. Can you give the percentage that is sold directly to the feeders and farmers? Is it not a fact that nearly all are sold to the speculators?

Mr. Baldwin. A big percentage are sold to the speculators, but we offer them on the public market to who ever will buy.

The Chairman. Can you give the percentage of stockers and feeders that are sold direct to the farmers?

Mr. Baldwin. Of the stockers and feeders? Well, if you will permit me to make a broad guess, I will say 10 per cent will go to the country direct.

The Chairman. Without going through the hands of any speculator?

Mr. Baldwin. Yes, sir. I would say that 90 per cent of the stock cattle—feeders—go through the dealers. Of course I have nothing to verify those figures but I would give that as my idea.

Mr. Voigt. You say there is no provision in this bill whereby the producer is protected at such times as the market is glutted with live stock?

Mr. Baldwin. Yes, sir.

Mr. Voigt. Do you think that such a provision should be put into the bill?

Mr. Baldwin. A bill that would be of value to the producer will require that.

Mr. Voigt. What sort of law would you suggest to regulate the market?

Mr. Baldwin. Well, I really think that everybody in this legislation is off on the wrong foot, that you are looking for the cause in the wrong place. The law of supply and demand I consider is the cause. I think that right now we have an oversupply of live stock to be marketed and that will be marketed and that can not be absorbed through the usual channels, and some provision must be made for the man that owns the live stock to see that he gets sufficient to reward him for his effort.

Mr. Voigt. Well, do you think that any such law could be practically drafted and enforced?

Mr. Baldwin. Yes; I do.

Mr. Voigt. You say that there is nothing in the bill which tends to regulate the supply of live stock. Do you think Congress should pass a law which would regulate the supply of live stock?

Mr. Baldwin. It could make a law, as pointed out indirectly there, which I believe would remedy the irregularity of the delivery of live stock.

Mr. Voigt. You said in your opening statement here that you were opposed to any sort of regulation by Congress.

Mr. Baldwin. But that was tending to the ends of that bill.

Mr. Voigt. But it seems to me you are advocating the worst kind of regulation in what you have to say here.

Mr. Baldwin. Well, I think it is the best kind. And my idea, rather indefinitely stated, probably, is that there could be such a thing as a vast Government clearing house for meats, whereby the packers could deliver that stuff into those houses and have them filled against the time of need. The glutting does not take place really on the market itself. The glutting, the stopping, the damming of the flow of this stock takes place in the packing houses themselves and in the avenues out of the packing houses.

The Chairman. That is all. We are very much obliged to you, Mr. Baldwin.

Mr. Rainey. That is all for to-night. We will have Mr. Day, of the Traders' Exchange, Chicago, to-morrow morning.

The Chairman. Without objection the committee will stand in recess until to-morrow morning at 10 o'clock.

(Whereupon, at 5.55 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m., to-morrow, Saturday, March 20, 1920.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

SATURDAY, MARCH 20, 1920

SEP 27 19

PART 22

WASHINGTON
GOVERNMENT PRINTING OFFICE
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COMMITTEE ON AGRICULTURE.

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JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Saturday, March 20, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Rainey, are you ready to go on?

Mr. RAINEY. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. RAINEY. I will call Mr. Charles E. Day, of Chicago, secretary of the National Traders' Exchange.

STATEMENT OF MR. CHARLES E. DAY, SECRETARY OF THE NATIONAL TRADERS' LIVE STOCK EXCHANGE, UNION STOCKYARDS, CHICAGO, ILL.

The CHAIRMAN. You may proceed, Mr. Day.

Mr. DAY. Mr. Rainey, shall I give my business connections and in what capacity I am testifying here?

Mr. RAINEY. Yes, sir.

Mr. DAY. I am the secretary of the National Traders' Exchange, and am testifying as their representative.

Mr. RAINEY. Do you prefer to make a general statement before interruptions, or are you agreeable to being interrupted as you proceed?

Mr. DAY. If the committee please, I should like to go ahead and tell my story through and then I shall be glad to answer any questions that I am able to answer and shall be pleased to give any information I can.

The CHAIRMAN. You might explain your organization a little more in detail.

Mr. RAINEY. Mr. Day, are there others accompanying you here also members of your organization?

Mr. DAY. Yes, sir; I should like to say to the committee that Mr. Bulla, of Omaha, is here; Mr. James H. Bulla, representing the executive committee of the National Exchange and the Omaha Exchange; Mr. J. B. Reese, in the same capacity for the Kansas City Exchange; Mr. William E. Hilton, of St. Louis, representing the St. Louis Exchange in the same capacity; Mr. E. S. Aikins, of Kansas City; and Mr. W. H. Mooney, of Chicago, president of the Chicago Traders' Live Stock Exchange; and Mr. Thomas Ryan, one of the directors of the Chicago Exchange.

Mr. TINCHER. You all represent traders' live-stock exchanges?

Mr. DAY. Yes, sir; in the various markets; not the live-stock commission men, because we have no connection with them.

Mr. TINCHER. Just the traders?

Mr. DAY. Yes, sir. I might say for myself so that you will know whether or not I am competent to testify that I was formerly employed on a farm in Indiana and have fed many cattle and I feed a number of loads of cattle from time to time on my farms in Illinois and Indiana. I am associated with Mr. John J. Lawler in the stocker and feeder trade in Chicago and this is the twenty-first year that I have been with that firm. I have been actively engaged on the market all these years.

I am a director in the Chicago Traders' Exchange, and, as I stated before, secretary of the National Exchange. The National Exchange includes exchanges in Chicago, which has a membership of 518, Kansas City, with a membership of 330, Omaha with a membership of 149, St. Louis with a membership of 110, Sioux City with a membership of 76, and Oklahoma City with a membership of 63. Indianapolis has a traders' exchange which is not yet affiliated with the National Exchange, but expects to become affiliated this year. In both St. Paul and Louisville active steps are now being taken to establish a traders' exchange. Each local exchange is a law unto itself, as far as its business operations go. The National Exchange is sort of an association of the different exchanges to bring them together and to take care of any interests that all the exchanges have in common, such as this hearing here, for instance. The value of the membership in these different exchanges runs from $1,500 to $2,500. That is the actual market value; they have a higher book value in the exchanges, with the exception, I believe, of St. Louis, and Sioux City. I am not just posted on their valuation, but I understand that in St. Louis it is $1,500.

Of course, I think the committee would not care for me to go into the purpose of the organization; that is patent to the committee, I think, and the privileges that membership confers in the different exchanges.

Mr. TINCHER. Right on that point, so we may have some idea about the privileges conferred, is it practically necessary for all traders on the yards to belong to the local organization?

Mr. DAY. Practically necessary; yes, sir, but not absolutely necessary.

Mr. TINCHER. From the practical standpoint it is?

Mr. DAY. Yes, sir. I might say this, that we have, of course, plenty of law, I suppose—I am not a lawyer—we have plenty of law in all of the different States, and Federal laws, to answer, all purposes of public trading, but we find it necessary and more convenient that we have a particular code of rules that govern and control our business practices. We have found that our trade works out a great deal better, disputes are settled much more quickly, and the general business standing and honesty of the tradesmen is greatly improved by having an organization to which all minor disputes and settlements, such as the mixing of cattle, misunderstanding about prices, and a thousand other details that enter into the daily business transactions with each other, are settled. I might say in that connection that on the Chicago Exchange we have only had one case this year, that I can recall, for hearing, on the ground of uncommercial conduct where charges were preferred against one of our members.

Mr. TINCHER. Perhaps, there are many members that never could prefer charges?

Mr. DAY. I am not making that point. I am making the point that we only had one case brought up, indicating that our membership lined up to the rules.

Mr. TINCHER. Suppose a man in Kansas City saw a member of your exchange buy 82 head of yearling steers for $6.85 and he said to the man, "I will give you $7.25 for those cattle if you will just weigh them up to me," and the man says, "I can not do that," and the man goes down the alley and this member of your exchange follows him down the alley and finally says to him, "I guess I will sell the cattle," and when he goes back to buy them the farmer sees seven head of little doughbelly cattle in the pen where the 82 were and he offers to sell him 89 head. He gets upon the fence and counts only 82. He sees what has happened, he has taken out seven head from the top and put in seven and that is the way the trade is being offered him. He accuses the man, a member of the exchange of the sale, and he says, "What is the difference, what are you going to do about it?" That is a proposition that can not be taken up with your exchange and hence it is necessary to have a separate code of laws to cover it?

Mr. DAY. May I ask whether you are stating that as a fact? In 20 years I have never seen or known of a thing like that to happen.

Mr. TINCHER. Do the farmers have any redress from your exchange, which is covered by a separate code of laws, if there is any complaint of dishonorable conduct on the part of a member?

Mr. DAY. Yes, sir.

Mr. TINCHER. If it did happen, would the farmer have any right to make complaint to your exchange?

Mr. DAY. Yes, sir.

Mr. TINCHER. Not being a member?

Mr. DAY. Our exchange is open at all times to any complaint of any person against any member of the exchange that has made a dishonorable or discreditable trade.

Mr. TINCHER. I wish you would show me the part of your by-laws and code that gives anyone, not a member of your exchange or a member of the live stock exchange, the right to redress from your exchange?

Mr. DAY. Mr. Mooney, can you answer that question?

Mr. MOONEY. Yes, sir; our rules provide for it.

The CHAIRMAN. Have you a copy of them?

Mr. DAY. No, sir.

The CHAIRMAN. You can furnish the committee with a copy?

Mr. DAY. Yes, sir. I shall be glad to send it by mail if that will be satisfactory.

The CHAIRMAN. That will be incorporated with your statement?

Mr. DAY. Yes, sir.

Mr. BULLA. If the farmer can prove that, would not the members of the exchange be subject to a heavy fine?

Mr. DAY. Yes, sir.

Mr. TINCHER. No; here was the proposition. The farmer sees him buy them at $6.85 and he goes up to him and says, "I want these cattle. I should like to have them weighed up to me. I will give you $7.25. I do not care so much about this little difference in the price of the cattle. I want to get them direct from the producer." He can not ultimately get them in any other way, except he buys them from the speculator and pays him a profit, because, as the gentleman has just stated, it is impracticable for a man to do business unless he is a member of your exchange, because the exchange expects the speculator to handle the cattle. Before he offers them to him there is a switch, he switches out seven and switches in seven. This gentleman has stated to the committee that it is necessary to be a member of the exchange; I think he used the term "separate code" for their government. I have always understood—I may be wrong—that the only people entitled to redress from the exchange were members of your exchange?

Mr. Day. We shall be glad to give you all the information we can.

Mr. Reese. I think I can give you an absolute and specific case in Kansas City along that line. One of our traders made a trade with a man from Nebraska a good deal on the order that you mention here. He had agreed to sell him the cattle. I think there was a little difference in what this countryman had bid him on the cattle. When he left he threw the cattle back together—it is the same kind of a proposition exactly, and then he went and got him and wanted to sell him the cattle. He asked him if the cattle were like he had bid on and he told him that there might be a little difference, and he said that if the cattle were like he had bid on, he would take them. The trader said, "I will not let you have them." We forced him to let that man have the cattle at the price. Any trader or person, regardless of whether he is a member of our exchange or not, has recourse through our exchange.

Mr. Tincher. You are governed by rules and regulations which the gentleman has termed a kind of code?

Mr. Day. Perhaps, I had better change that word for a better one.

Mr. Tincher. No; that suits me.

Mr. Day. What is the rule in Chicago, Mr. Mooney?

Mr. Mooney. I have not a copy of the rules, but I think that paragraph of the rules reads along this line, that we are organized together for the furtherance of trade relations, for the protection of all parties doing business in the Chicago market in the live stock business.

Mr. Tincher. That is all right. I am somewhat familiar with the purposes of the organization. I want to know if anyone here representing a traders' exchange has a copy of any by-laws or the constitution of any organization that gives an outsider the right to file any complaint with you or have any remedy for any mistreatment that he receives from one of the members of your exchange?

Mr. Mooney. I do not know; I can not answer that question.

Mr. Tincher. That could be furnished in printing. You are governed by printed rules and regulations, and I should like to see a copy of the by-laws.

Mr. Mooney. We had a case which has recently been disposed of, a short while ago, in regard to a sheepman from Tennessee.

Mr. Day. I think so.

Mr. Tincher. If I go to the Kansas City market to buy cattle of the traders and your organization is governed by a set of permanent rules, if I have any rights they are set forth in those rules, and I want to know what the rules are and have them put in the hearing.

Mr. Anderson. Put them all in.

Mr. Day. I think we have answered for all of the exchanges that that is the rule.

Mr. Tincher. No; I do not understand that you have a rule of that kind.

Mr. Reese. Speaking for Kansas City, I will say that any shipper has recourse to the exchange, and that he can at any time prefer charges against any member.

Mr. Tincher. I want your rules showing that put in the record, point out any such rule.

Mr. Day. We will. In the case to which Mr. Mooney has referred, we appointed a committee to look into the matter. If there is a complaint filed against a member, we will give a hearing, and if the man is guilty we are ready to punish him.

Mr. Tincher. As you have said, it is practically impossible for any man to trade in your market who is not a member of your organization. You are governed by a constitution and by-laws. I come there as a farmer. I am not organized; I have no organization to back me. I want to know what part of your printed constitution and by-laws gives me any right within your organization. I am governed by the laws of the land?

Mr. Day. Yes, sir; so are we all.

Mr. Tincher. But you have an organization that has separate laws?

Mr. Day. We are all under the laws of the land.

Mr. Tincher. Yes, sir.

Mr. Day. And must be subject to the laws of the land.

Mr. Tincher. Yes, sir.

Mr. Day. And to further better trade relations. Without any question of doubt the traders' exchanges have been of the greatest benefit in the public markets, as far as the traders are concerned in the correcting of bad business practices and in the furtherance of honesty and clean business relations and business trading not only among themselves but among the outsiders who come to the markets.

Mr. Tincher. You will admit that it is practically impossible for a man who wants to to buy cattle in Chicago or Kansas City if he does not want to buy them of the speculator?

Mr. Day. No; I will not admit that.

Mr. Tincher. And if he does not, that it is impossible to get up any considerable cattle?

Mr. Day. I will not admit that.

Mr. Tincher. I will admit it, because I have worked with the buyers and I know.

Mr. Day. All right.

Mr. Tincher. There is something among the members of your exchanges why you will not sell to the speculator?

Mr. Day. Use the word "trader," please. They all object to being called speculators. We do not consider that we are speculators; we are dealers in live stock.

Mr. Tincher. Here is another thing, you can hardly buy cattle, I do not care what you offer for them, from a dealer of cattle after he buys them from the producer until they are taken to the pens of the trader or dealer in the cattle yard?

Mr. Day. The opposite is true. I was on the Kansas City yards for 9 months and have been in Chicago with the exception of those 9 months for 21 years, and I do not know a single trader in the Union Stockyards at Chicago—I do not believe there are very many, if any, but who will sell any article he owns at any minute, at any time, to any buyer who rides into the market or walks into the market to buy. Whoever he is he can buy any article that is for sale, and we do not discriminate in buying.

Mr. TINCHER. But the dealer in cattle does not offer them for sale to the producer until he takes them to his yards.

Mr. DAY. My dear Mr. Congressman, we have sold thousands of them in that way.

Mr. ANDERSON. The basis of this complaint, and it is very common, if it is not a universal one, is that the farmer can not buy direct from the commission men because by some sort of understanding, collusion or unwritten law, the commission men stand in with the traders and the farmer has to go to the trader?

Mr. DAY. I think that is not true.

Mr. ANDERSON. The farmer thinks it is true.

Mr. DAY. They may think so and I will tell you why. Occasionally a farmer comes into the market and stands around the commission men's pens where the buyer for the trader is buying cattle. We do not show any antagonistic spirit toward those men for bidding against us. They do so every day and we expect it but what the trader does object to is that he does not know these men, being strangers to him, and they take the advantage of the fact that their identity is not known to the regular buyer and listen in while he is making his bids. Then after he leaves they take advantage of his market knowledge and the fact that they have overheard his bids and raised the bid a very small amount and so try to buy the cattle on the judgment of the trader. The trader does not object to this party as a competitor if he knows that the man is a competitor and if the party will come out in the open and practice fair play in the buying. He has a perfect right to come in and buy any live stock he desires and the commission man will sell to him.

Mr. ANDERSON. The practice is for only one bidder to be in a pen at a time?

Mr. DAY. Certainly; only the one. That is a rule of fair and square dealing. The rules govern the commission men, that they shall trade honorably and fairly, and they trade with no other man until they are through with the first buyer—only trading with one buyer at a time.

Mr. REESE. You spoke of Kansas City and said that a farmer could not buy cattle directly from the commission men and that the trader would not sell his cattle to a farmer without taking them to the pens and keeping them. Last month I bought 255 cattle in one string and while they went to my pens and they ran through my alley yet I turned them over to the other man right there and then. There are thousands and thousands of cases. I venture to say that we do not buy more than 25 per cent of cattle but what have been bid on by outsiders. The highest bidder gets the cattle.

Mr. ANDERSON. Are you speaking for Kansas City or Chicago?

Mr. REESE. About the Kansas City yard, about conditions in Kansas City.

Mr. **Tincher**. I do not want to argue with you, but I have understood from an officer of your organization that it is impossible practically for a man who wants to buy cattle in considerable numbers or any number to buy cattle in the Kansas City yards from the producer before they have been sold to the trader?

Mr. **Reese**. It is impracticable from the standpoint that 9 out of 10 of these outside men want to buy from the dealers in cattle. I have seen thousands of men come in and bid directly in competition with the commission men. Sometimes they get them and sometimes they do not. The only reason they do not is because they do not bid as high as the trader.

Mr. **Tincher**. A man can go in there and get his commission man to furnish him with a boy and he can go into the yards and he can not buy the cattle from the producer?

Mr. **Day**. He can buy them just the same as the trader.

Mr. **Tincher**. What are you talking about?

Mr. **Bulla**. You say that he can send a boy into the yards. He sends an expert buyer. He charges the farmer $12 for buying them. He is not a boy, he is an expert buyer. He will buy them of the commission man or trader; either place where he can get them to suit his customer.

Mr. **Reese**. The Kansas City figures will actually show that the traders directly buy 80 per cent of the stockers and feeders, and the remainder are bought by outsiders.

Mr. **Anderson**. From the commission men?

Mr. **Reese**. Yes, sir.

The **Chairman**. They are commissioned to buy for them?

Mr. **Reese**. Through the commission men. They send a man out, and he rides through the yards buying the cattle. The figures will show that they bought 20 per cent of the cattle last year, and the statistics show that the traders bought 80 per cent of the cattle that came to Kansas City. Naturally the outsiders got 20 per cent. That is an every-day occurrence, and that means that some outsiders get them.

The **Chairman**. How long has that been the practice?

Mr. **Reese**. For years; ever since I have been there. Mr. Atkins, I think, can cite you some very specific cases.

Mr. **Anderson**. I should like to get this clear in my own mind.

Mr. **Day**. May I finish my general statement?

The **Chairman**. Let us clear up first the traders' business, and then you may go right along.

Mr. **Day**. Yes, sir.

The **Chairman**. Many may not understand the relation of the trader. Will that be satisfactory?

Mr. **Day**. Yes, sir.

The **Chairman**. We might as well get it straightened out.

Mr. **Day**. I am perfectly willing to do that.

The **Chairman**. It is your contention that the cattle are sold direct to the people in the country at the Chicago yards?

Mr. **Day**. I should like to explain the general way in which the business is done, and then I will be glad to answer any questions.

Mr. **Rainey**. Before you proceed, Mr. Tincher asked that you submit to the committee a copy of your by-laws.

Mr. DAY. Which we will be glad to do.

Mr. RAINEY. Of course, the by-laws can not cover all cases that might arise; but is it the sense of your organization, regardless of whether it is written into the by-laws or not, that any practice violative of fair play, as far as the producer or farmer is concerned, that the farmer or any outsider may have redress before your organization by filing a complaint?

Mr. DAY. It is; not only in ours, but all traders' exchanges. I want to correct one statement. When Congressman Tincher asked me if it were not practically impossible for a man to go on the market and trade without being a member of the exchange, he meant one thing and I meant another. I meant to go there and earn his living and do his business daily, weekly, monthly, and yearly, and not be a member.

Mr. TINCHER. No; I did not mean that; I meant just what you mean. It is impracticable; he could not be a trader on the market and live?

Mr. DAY. Yes, sir; it is entirely practicable and possible. They are bought by outsiders every day, to which we have no objection. Any man can come in, and he is entirely welcome.

The dealers in cattle in Chicago and at practically all the markets prefer to be called cattle dealers, because we are not any more speculators in that sense of the word than the grain or elevator men. Not 5 per cent of the cattle or hogs that are bought by the traders are moved from one section of the yards to another section, and stay just as they were bought, with the exception of strings of western cattle bought as feeders, which the buyers prefer to have kept separate, because they want to have the same brand. We buy from commission men, but have no privilege any more than the packer.

For instance, a commission man has to be a buyer and seller. He sells and also buys on commission. If he comes out to the yards with an order for some of the class of stock that we have we sell to him, if an outsider comes with an order for some of the class that we have we sell to him, if a large or small packer comes and we have some stock that he wants we sell to him, allowing each to select or sort. In other words, we buy at wholesale and sell at retail. In that respect the trader is the same as a merchant in any other line. Sometimes we dispose of our stock within an hour or the same day, and if we do not we have to sometimes wait one or two weeks, which is an unusual thing for a buyer for that particular stock. We are traders in cattle.

The question has been brought up many times as to the profits of the traders. They say that the producer should have the profits—this is a point for the attention of the committee that I would like to get cleared up—that the producers should have all the price that the article brings. I want to say this, that when the producer or his agent, the commission man (and very often both the salesman and owner are together when a sale is made), the owner very often helping to make the sale. When the sale is made to the trader he considers that he has received the best price that he is going to be able to get or else he would not sell, because there is nothing in the world to cause him to sell to me or to any other man who makes an offer, except that he thinks he is getting all that the stock is worth. Many times we get them bought too high and we have to take a loss, and if we are not successful in filling the various orders for mixed classes of stock it is a question whether they can be sold at a profit, especially if the market declines. We do not know the conditions and markets frequently go against us. In Chicago all of the eastern order buyers belong to the Traders' Exchange with, I think, one or two exceptions. I mean by that the men who buy for all the eastern packing establishments, the buyers of both hogs and cattle. The total purchases of those men and the traders in Chicago last year amounted in round figures to 110,000 cars, being approximately one-third of the total receipts. Now, the traders in the market and the eastern order buyers——

Mr. ANDERSON. One-third of the receipts of all classes?

Mr. DAY. Yes, sir; cattle and hogs, I think, but do not believe sheep are included, but am not sure. There was sufficient competition in the Chicago market by our members to buy one-third of the total stock received in Chicago last year. A large amount of the purchases of the eastern shipper on the Chicago market must be assorted stock. For instance, he has orders for particular kinds of hogs and cattle. The trader buys the mixed cattle and the mixed hogs and allows the buyer to select for his eastern orders such as is required to fill his various orders.

A man with particular orders for certain grades of killing cattle or hogs will not buy mixed grades, as they will not suit the orders. This buyer can buy from the trader and take out what he wants and throw back what he does not want, and the trader will then find another buyer for the ones he has left.

Without the trader, the producer would be minus this competition of which I am speaking—the eastern packer and shipping demand.

I want to make plain to the committee, if I can, why it is impossible for a man who has these orders to go about and pick out one or two head here and there. In the first place, it is physically impossible; it can not be done. If a man had an order for 20 cars of this particular kind of hogs or that particular kind of cattle, and he must have orders for 10 to 20 cars or he could not stay in the trade, as his profit would not be enough. He could not do it by buying one car; he must have a volume of business in order to provide extra help about him and to provide the necessary business facilities. He must make time in his buying. He can not go to this pen and pick out five head, and then go to that pen and pick out two head, and then again to this pen and pick out seven head. With a large number of men doing the same thing, there would not be pens enough in the entire South Side of Chicago, if the yards were extended, to provide adequate room, because at busy times three-quarters of the pens are filled the day the stock is received. The pens must be cleared daily if we are going to have anything like an active market. The trader buys the mixed grades of both cattle and hogs, either in car loads or less than car loads and classifies the same, selling to the order buyer or any other buyer the grade of stock desired. In this way the producer has a more prominent and broader outlet, while the ultimate buyer can secure the class of stock needed and the market does not become congested.

As to the profit of the traders, I would say, all things considered, that they are very moderate. I think a majority of the traders in the markets will agree with me that they have not run more than the ordinary commission charges do one year with another. There have been years when we have made money and there have been years when we have lost money. There have been men who have made money and succeeded, and there have been men who have lost money and failed, but take it all in all I do not believe that the profit has been at all out of proportion to the services rendered. I want to make it clear that the eastern man and the independent packer furnish the great competition in the market for the producer and must have opportunity to buy assorted cars of stock either in hogs or cattle. The eastern packing houses usually fill their orders for mixed grades of both cattle and hogs at their local points, and practically all the orders that are sent by them to Chicago and other markets are for particular classes of stock, and these can only be secured by buying from the trader who offers assorted stock to fill the various orders.

The same is true of the buyer from the country who buys stockers and feeders. He prefers to buy from the trader so he can sort out the age, breed, flesh, and quality desired, which in most all cases can not be secured as the cattle come from the country and are on sale in the commission man's pens. I shall be glad to answer any questions that I can.

Mr. Tincher. I do not think any member of this committee—and I think I am safe in saying any Member of Congress—thinks any law should be passed that would prevent traders on the markets.

Mr. Day. I thank you, sir.

Mr. Tincher. But the traders have an organization different from the packers, they admit, and are governed by certain rules and regulations of their own creation; not by the laws of the country, but of their own creation. The producer and the consumer are not represented at the transaction by any organization.

Mr. Day. If they have any grievance they may have a full hearing. All our rules are subject to the law.

Mr. Tincher. Some Members of Congress think it would be advisable to create a Government agency that would be on the ground to see that there were no unfair rules and regulations and to see to these transactions, that it would have a tendency to establish confidence.

Mr. Day. We appreciate that suggestion.

Mr. Tincher. I want to call your attention to this: By your trader's organization and by your commission men's organization, there is not any question but what a large portion of the criticism is due to that?

Mr. Day. Yes, sir.

Mr. Tincher. But we had a member of a commission firm here who stated that a considerable quantity of the finished product of the producer, ready for butchering, was sold first to the trader and then by the trader to the packer.

Mr. Day. Pardon me; I have stated that not over 5 to 10 per cent of the purchases of our members is handled in that way.

Mr. Tincher. And he made a larger profit. I think he actually admitted to us that he was the best posted man in the world. It might be embarrassing to a producer to ship to him—that gentleman that testified here—a carload of fat cattle ready for the packer and to have them sold to a scalper. I do not mean any disrespect.

Mr. Day. That is all right, Congressman; we want to get together.

Mr. Tincher. The commission man sold them to the trader and was satisfied; the price was all right; and when he got back to the yards the next day he was astonished to find that carload of cattle in the same town, that same man selling them to the packer.

Mr. DAY. I do not think that ever happened. Who was the man?

Mr. TINCHER. Yes; it happened.

Mr. DAY. Sold by the same man?

Mr. TINCHER. Yes, sir. Joe Mercer had sent a carload of cattle, and he told us about it.

Mr. DAY. Ordinarily they would place it with some other firm to make the sale.

Mr. BULLA. Were they sold in the last few months?

Mr. TINCHER. He told me when he was here, several weeks ago.

Mr. BULLA. That individual shipped to the commission men, that was all right. What is the difference whether that commission man resells my cattle to the speculator or to the packer?

Mr. DAY. There is no difference, only it is poor judgment on the part of the trader to have the same firm resell them.

Mr. TINCHER. Yes; it is poor judgment, but would that be a satisfactory answer to the producer—would he not like to have some such rules and regulations or some law that would prevent such a practice as that?

Mr. DAY. Congressman, may I respectfully answer that by saying this, that every man who buys a car of stock in the market expects to make a profit, whether on the live cattle or after slaughter, and when your commission agent sells, he is selling them for what he considers the highest price he will get. If the trader who bought the car of stock sells the next day at a loss of $100 that is smilingly satisfactory to the producer who sold them, but if, on the other hand, he makes a profit of $50 or $100, then the producer is dissatisfied.

Why, Mr. Mercer's car of cattle did not need to have been sold to that trader; he could have sold them to anybody who bid. It may be that that is the only bid received on that car of cattle that day. That sometimes happens. Then, the man has bought them on his judgment, and he sells them, a perfectly legitimate transaction. What he does after he gets them makes not a particle of difference to the seller. Let me tell you another thing, by the multiplicity of bids the market is established. It is not always the price they bring that makes the market, it is the multiplicity of the bids. A fellow takes a chance and if he makes a profit or a loss I can not see how it affects the producer.

Mr. TINCHER. The man who testified was the president of a live-stock exchange.

Mr. DAY. Mr. Brown or Mr. Stafford?

Mr. TINCHER. He said that the buying of the finished product by the trader from the producer was only on a rising market. He said that, but I do not know how much he revised his remarks.

Mr. DAY. I should like to know who can tell when the market is rising; who can guess?

Mr. TINCHER. And then resell to the packer the same day. Do you think that is a good practice?

Mr. DAY. Yes, I do. Frankly, I think it is a splendid practice for any man who has the money and is honest and square to go in and bid on stock offered for sale, bidding the best price.

Mr. TINCHER. It is admitted that you both have organizations at the yards, and do you not think that it is proper for the producing public of the United States who have no representation or no organization represented there to ask for laws just like some of these Congressmen have introduced, providing for a Government agency to see that they get a square deal in those yards?

Mr. DAY. If they do not understand the situation, yes; if they do, I would say no.

Mr. TINCHER. The more they understood the situation the more occasion there would be for asking for the legislation?

Mr. DAY. I want to say this for the record. In my 20 years of experience I have not known a commission man to sell a lot of live stock unless he sincerely felt that he was getting the best bid that he could get; it did not make any difference to him who the buyer is. I have not known of a case of collusion between a seller and buyer in the market.

Mr. TINCHER. I am not asking you that. Here is a man who says that on a rising market the practice is not to sell the product of the producer.

Mr. DAY. How can you tell a rising market? A trader must guess that, and he often guesses wrong. Is not the commission men there? He knows as much about it as the trader.

Mr. TINCHER. I told him at the time he gave the testimony that I was very much surprised to hear him make that statement.

Mr. RAINEY. Do you know many instances such as has been suggested by Congressman Tincher in the case of Joe Mercer to have happened?

Mr. DAY. I know of occasional happenings like that, but the trader does not put the cattle back in the same place. We do not encourage that matter; we do not encourage that kind of trading in cattle, but we encourage any legitimate and honest trader to go into the market and buy cattle and classify them to suit different orders. That serves a real purpose in the market. The producer certainly gets the benefit of the bids, and that is what makes a higher market for the stock.

Mr. ANDERSON. Is there any prejudice on the part of the packers toward buying fat cattle from the trader?

Mr. DAY. I do not think they encourage that, and we do not encourage it either. Our idea is——

Mr. ANDERSON (interposing). You sell it through the commission men without disclosing your ownership?

Mr. DAY. Sometimes we do, and sometimes we sell to the packers; the big packers as well as the small packers.

Mr. TINCHER. I think that they overlooked the regulation of the traders in the Senate bill, providing for the commission to have any jurisdiction.

Mr. DAY. There is a clause with regard to buyers or stock dealers.

Mr. BULLA. If he is not included, I wish to withdraw and adjourn.

Mr. DAY. Have you any more questions at this point?

Mr. ANDERSON. I should like to get a few things clear in my mind.

Mr. DAY. I will be glad to answer any questions that I can.

Mr. ANDERSON. I understand that the packer prefers not to buy from the trader.

Mr. DAY. No; that is not the case.

Mr. ANDERSON. What is the case?

Mr. DAY. The packer prefers not to buy cattle that have been bought against him, making more competition, but they do frequently buy our cattle. The great bulk of the traders in the market do not encourage that kind of speculating in cattle to which the gentleman from Kansas has referred, because it causes discussion and some notoriety, but there are a few men who will take a long speculative chance and buy that class. However, my experience and observation have been that most of those men lose money, because it is pretty hard to buy that grade of cattle and make money—he must buy them to-day and take a chance on what they will bring in the market. Some buyers in the country buy fat cattle from the feeder either for immediate or future delivery and when the time is up must take them and ship.

Mr. TINCHER. He will probably have another 90 days to hold them?

Mr. DAY. Yes; that is true.

Now, I should like to go further with this discussion, if I may.

I have tried to make it very clear why the trader is essential in the market. You have mentioned Mr. Mercer. I want to read this into the record; it is very short. Mr. Mercer spoke at the live stock traders' convention, held in Omaha, in July, 1919, as secretary of the Kansas State Live Stock Association, and chairman of the National Live Stock Shippers' League, and prominent member of the Producers Committee of Fifteen on Marketing Live Stock. I suppose the printer inserted the words "prominent member."

Mr. TINCHER. Joe would admit that.

Mr. DAY. I thought probably the printer had inserted that.

Mr. RAINEY. If he does not the gentleman from Kansas will.

Mr. TINCHER. There is no room for argument there.

Mr. DAY. He used these words:

> I am speaking to you from the standpoint of the producer. That is all I know. I have never been connected with any of the commission firms, but I have been a patron of them for 30 years.
>
> As I have said you are an essential and necessary part of this great big industry. Why? Because of the structure that has been builded here and there over this country. With a few central markets where the great scope of country surrounding them centralizes the shippers and where many a day there is no market—no buyers for a lot of the product sent in—unless you men were there to represent and purchase that product. So, I say you are one of the essential factors in this great industry. It has become well understood that you are; and it is satisfactory that you operate as an organization of traders, because there would be times, if it were not for you, that the producer would be very much at sea. I do not know what would happen to him under this plan of business if it were not for you.

I could read from Mr. Howe, representing the Armour Co., along the same line, if the committee should care.

I should like to read to you what Mr. Newman, of the Drovers Bank, said.

Mr. ANDERSON. When was this?

Mr. DAY. July, 1918.

Mr. MOONEY. 1919.

Mr. TINCHER. Mr. Newman was not president of the bank in 1918.

Mr. DAY. I have the record in my hand; it was at Kansas City in 1918. Mr. Newman was introduced as the president of the Drovers Bank. It may be he was the cashier.

Mr. TINCHER. He has been there for years. I did not know that he had the title of president.

Mr. REESE. I think he is vice president.

Mr. DAY. He said:

> I feel from my knowledge of your business that you gentlemen are the most essential to a successful public cosmopolitan market and the live-stock industry of any men located at any such yards. I do not see how any market could be a success without you.

Such testimonials could be reproduced here in large numbers.

I want to say that we men, we traders, are not opposed to any laws governing our business. We are perfectly in harmony and in sympathy with the passage of any law, if any law is needed, for honest and square dealing on the public markets, and if there is any additional legislation needed, we are not here opposing it, but we are opposed to the present bills to put the regulation of our business in the hands of a Federal commission. We are opposed generally to the regulation of any business by a commission. We do not think that it is for the best interests of the live-stock business and we do not believe that this bill will stimulate production.

Mr. TINCHER. Which bill?

Mr. DAY. The Gronna bill and the Anderson bill, all the live-stock bills under discussion. I do not care to go further in that because it has been gone over, and I do not think that I could add anything. We do not think that the bills will be of benefit to any part of the live-stock business.

Now, if such a bill must be passed we feel that the traders should not be included in the bill. First, because our business is entirely of a private nature. We are not doing a public or semipublic business. Each concern is doing its own business, many of our traders handling a very small amount of stock. We have many traders who do not handle more than 10 head in a week, or 20, 30, or 40 head a week.

And I want to suggest, gentlemen, that the trader performs a real service in that matter. He goes through the butcher stock and he picks out the cows—he does it himself—that are springers, that would make desirable milch cows, and those cows go back to the country instead of being slaughtered.

Mr. ANDERSON. May I ask you a question about your statement as to the private nature of your business? I am not asking this in any hostile spirit, I am asking only for information.

Mr. DAY. I appreciate that, Mr. Anderson.

Mr. ANDERSON. Is there not a public aspect to any business which is so situated that it is able to lay down rules and regulations for the conduct of everybody in it, which rules and regulations affect the general public doing business with them?

Mr. DAY. Yes; I think there is that side to the matter, but I believe this, that we are not, as individual traders, each and every trader, or even collectively, doing a large enough amount of interstate business, or even intrastate business, that we should be included in a sort of public utilities or corporation bill any more than the dry goods man of Chicago or any other town, or the hardware man, or any man in the allied industries, which all have their commercial associations.

Mr. ANDERSON. I think I should agree with you were it not for the fact that because of this organization you are able to lay down rules which not only bind yourselves but which affect and control the relations of other people to you. It is that feature, that you are able to lay down rules and regulations not only governing yourselves but which govern your relations to other exchanges, to the buyers, to the packers, and to the general public, who bring their stock in there.

Mr. DAY. Is not that equally true of men in the dry goods business? You understand, of course, we do not attempt any price-fixing at all nor the volume of business a man shall do. We only say that he shall do his business in a square way toward the public and toward his competitor, whether the competitor be a packer, a commission man, or another trader.

Mr. ANDERSON. I have not come to any conclusion myself as to whether there ought to be any regulation of the traders or not.

Mr. DAY. This is the spirit in which we come here, gentlemen; not to argue, but to try to give you any information we can. We believe this, that there is no matter in the entire public live-stock markets that is as little understood as the relation of the trader to the trade, because the relation is rather intricate—the relations between the commission man, the country buyer, the packer, and all the others, people who are in there buying thousands of cattle, hogs, and sheep. And yet each trader is buying these cattle in a private sort of way, as a matter of private ownership, or however you want to put it. I do not believe that our business is of such a nature that it should be included in this kind of legislation.

Mr. TINCHER. What harm do you think would result from it?

Mr. DAY. I will come to that in just a moment, if you will pardon me. I will then state the reasons we think this legislation will be detrimental to us and to the producer.

Secondly, we think this about this matter. Ours is a hazardous business. We do not have any commission or profit guaranteed to us. When we go out and buy cattle or hogs or sheep, we put real money up for them out of our own pockets, and if we never get all of that money back we have to stand a loss. If we get more back we have a profit.

Now, if legislation should be passed that would be detrimental to the traders' business, we feel sure that a large number of the firms would drop out of the trade, and that all the active young men who are coming into the live-stock markets and trying to break into the live-stock game will not go into the trading business, because such legislation, even if it influenced it only a small amount, would be detrimental enough that they would not see a chance of making a profit. As it is, it is hard enough to make a reasonable profit in that field, on account of the money invested, the time involved, the hazard of the market, etc.

Now, I should like you gentlemen to consider this. If the proposed law should have that effect, it would certainly have a terribly deterrent effect upon the public market for the shipper who ships to market.

I want to go back to one other point that I referred to. As I suggested a moment ago, it is not always the price the stock brings that makes the market. It is the number of bids there is made. It used to be said of Simon O'Donnell—and I say it frankly, because he is dead, as well as Mr. Allerton—he used to buy cattle for Allerton, and it was said he could take an order for 25 cars of fat cattle and raise the market 25 cents a hundred in filling that order. Why? Because he would bid on a large number of cattle. Very often as he would walk from pen to pen the cattle that he put a bid on would be bought by somebody else; he did not get them all. If we go out to buy 500 cattle a day, we will ordinarily bid on 1,500 to get those 500.

Then the fellow that follows us along tries to make the purchase, and he says—this is commonplace, of course, to the live-stock men here; the rest of those present may not be so familiar with it—he says: "I won't sell them to you at 10 cents a pound." "Why?" "Because I am bid better on them." "What will you sell them at?" "Ten and a half." "I will give you a quarter." "I won't sell them." "Why?" "Because I am bid that price."

Then the second man has to raise that price. You understand, the first man who make a bid is entitled to the cattle or hogs if he leaves a standing bid, unless somebody else comes along and raises the bid. That is a very great protection to the shipper. Very often they will get 20 bids before they are sold. Every bid helps to make a better market, does it not?

Mr. ANDERSON. I should say that it would.

Mr. DAY. Now, if we get some legislation here by which these three hundred and odd buyers in Chicago are cramped or hindered in their operations, are we not restricting our market in the number of bidders that we need, particularly upon these mixed hogs and cattle? Take the Canadian people that come into the market—the great mainstay of the Chicago market—buying the Canadian singers. Every one of those hogs is an assorted hog, is it not, Mr. Mooney?

Mr. MOONEY. They are all assorted hogs.

Mr. DAY. Every one is an assorted hog, and if they can not buy the assorted hogs they can not buy a single car. Now, the producer should be extremely grateful to those buyers, and while we do not want anything given to us we do not feel that you should pass a law restricting these men in their operations so that they will become less contenders and bidders in the public markets, and we are afraid this bill will have that effect.

Lastly, we will feel that one reason why we should be exempted from this bill, if such a bill is passed, is because of the very close relation of the stocker and feeder men in particular to the producer. The stocker and feeder man goes out and buys a large number of stockers and feeders. There are some questions that come up, some misunderstandings and fusses, such as the gentleman from Kansas has mentioned, but that is an unusual happening. The usual thing is to go right along in the regular course of business every day, and when these men buy these cattle they very often have in mind a place where they can use the selections or cuts from these droves of cattle For instance, Mr. Aiken, of Kansas City, buys ordinarily a high-grade class of Panhandle cattle, extremely well bred. Very often when he wants 8 or 10 loads of these cattle he has in mind a man that wants one load, another man that wants two loads, another man that wants the yearlings, and another man that wants the two-year olds and he will buy them all. Immediately he will send word to that man in the country, "The cattle are here; come on to-day." Or he will go to the purchasing agent (commission man), and he will say "I have those cattle that you wanted for such a man"; and so the man comes in and supplies his feed lot.

Now, the point is this, that that man being so closely in touch with the purchaser who is buying that stock, a great deal of that stock would never get into the hands of the feeder if it were not for him, but would be slaughtered, and that is a big thing in the production of live stock.

Take our firm in Chicago. We have large numbers of feeders that come to us. We have had large numbers of customers for 15 or 20 years who have been coming to us month after month and year after year. Whenever we can find certain kinds of cattle they want we are to send them on or we are to notify their commission men, who will make the purchase. We are in very close touch with them, and by our advertising and urging our customers we often get these men to buy more cattle than they would otherwise feed, and that increases the number of cattle that are fed. That is not a small matter or a local matter, but it is common in every public market. The commission man and the trader, by urging these men to feed more cattle and by hunting up trade get hundreds of thousands of cattle back into the country to be fed or finished. So I say he is very closely in touch with the producer.

Mr. Hulings. Let me ask you this question, please: To what extent do the producers speculate in their own stock?

Mr. Day. How do you mean that, if you please?

Mr. Hulings. By buying their own stock.

Mr. Day. Buying their own stock in the market?

Mr. Hulings. Speculating on the market. The question arises in my mind in this way:

Some years ago we had a great number of brokers at Oil City, Pa., that were making the market for petroleum. The producers of petroleum invariably were going wrong on oil on the exchange. They continually were finding themselves speculating on the long side of the market. After a while the Standard Oil Co. just abolished all these exchanges by making the market themselves, and that stopped all the speculation of the producers in oil. That was a great advantage to the producers, because producers invariably were getting skinned of the long side of the market. To what extent do the cattle producers go into the same kind of thing?

Mr. Day. Well, I do not believe the case is similar, Congressman. I do not know of any producers who speculate in cattle, only to this extent, that a man goes and buys his yearlings or two-year olds to put into his pasture or feed lots.

Mr. Hulings. Well, does he sometimes, to any particular extent, give orders to those brokers or commission merchants to buy him cattle in the hope that they will go up in price?

Mr. Day. No; not necessarily in the hope that they will go up in price. I do not know of any such case. He buys the cattle for the purpose of converting them into beef, or he buys yearlings for the purpose of carrying them a year and turning them out as feeders, and then getting his profit through the gain and the flesh that he has put on them. But I do not know of any producer that speculates in the sense you mean, with the exception of the country shipper to whom I referred a while ago, who is really a trader or speculator. He buys the cattle in the country and ships them to market.

Mr. Anderson. There is no future market in cattle?

Mr. DAY. It is all based on cash transactions. We supply a large number of cattle to your State, Pennsylvania, and I do not know of any trading in futures at all.

Mr. ANDERSON. Will you answer my question? There is no future trading in cattle at all, is there?

Mr. DAY. Oh, absolutely not. All the stock we pay for is paid for every day at 3 o'clock, and all the stock that everyone else buys is supposed to be paid for at 3 o'clock if the weights can be secured at that time.

Mr. CREIGH. And the live stock is there at that time, too?

Mr. DAY. And the live stock is there at that time; yes, sir.

Mr. ANDERSON. There is no such thing as a producer coming in and giving you an order for cattle with the expectation of selling those cattle a little later at a higher price?

Mr. DAY. No. Of course, a man may not be quite ready with his feed lot or his pasture, and he says, "Send them to me in two or three weeks, I am not quite ready." All the stock may not be on the market of just the kind that he wants, and he says, "Wait"—that is the point I was making a while ago—"whenever this kind of stock comes in, send them to me." Sometimes it takes three or four weeks to get just the grade that is wanted.

To return now to what I was trying to say, the bill provides, as we understand it, that the books of all traders, the same as the packers and commission men, shall be open at all times for inspection. We object to that as being un-American and not fair as to what should be accorded us. There is no more reason to throw our books open to the public in our cattle trading as we see it, than there is our private farm accounts or our private bank account. You may not agree with me on that, but that is the way it looks to us.

Then again, it says that unfair prices shall be controlled. From the very nature of the trader and his business, I think anyone can see it would be physically impossible to control his prices. One day the trader makes some money; the next day he loses back some of that money. During one year, as during the past year, the trade is with him. Then he gets into a lean year, like we did back in 1914. and then he will lose money for a year or two years. He will not pay his expenses of operation, even though he operates on a large scale. So as to a commission trying to regulate a man's profits, it would appear to me to be physically impossible.

Mr. TINCHER. Before you proceed further, you are a little like the old doctor that I heard of once that gave all his patients the itch and then doctored them for the itch because he could not doctor anything else. You are talking about a bill that has a lot of things in it that my attention has never been called to. You are putting up an imaginary bill and criticising it.

Mr. DAY. Have you a copy of the Gronna bill there?

Mr. ANDERSON. Yes; I have a copy of it.

Mr. RAINEY. You are taking into consideration all bills?

Mr. DAY. Yes, sir; but this is the bill that I think I read this in.

Mr. ANDERSON. Of course the only question is whether the term "operators" includes traders or not.

Mr. DAY. If it does not include traders, we ask to be excused. That is all we have to say.

Mr. TINCHER. I think we ought to consider whether we are putting you in or not.

Mr. ANDERSON. I think we should hear you on that phase of it.

Mr. DAY. We have felt that there is no question at all but that we are in it, and we saw a statement in the newspaper to the effect that Senator Kendrick had said that if we were not in it it was only an inadvertence. So we are here.

Speaking of the profits, I think I have covered that all I can.

Mr. ANDERSON. It seems to me the committee would have to agree with you about that. That is to say, you could not set up a commission to determine the reasonableness of a profit which would be based upon the price paid and the price received, as you could in the case of a commission where the exchange itself fixed a price.

Mr. DAY. Yes. So I think we are very reasonable on that phase of it.

Mr. YOUNG. Mr. Day, in the conduct of your business did you ever go to the country to buy direct?

Mr. DAY. No, sir. Some of the traders do, but that is a separate branch of their business. In our own organization, with J. J. Lawler, I think that in 20 years we have never bought one car of stock in the country. We adhere strictly to one line of business.

Now, going into that matter, I want to say this, too, that practically all the traders are more or less borrowers of money, depending on the volume of their business. If we go out and buy 3,000 cattle, which we often do in one day, or even up to 4,000 cattle, they will cost us anywhere from $50 to $80 a head, depending on the kind and class of cattle. The small dealer, of course, would be in the same position, in proportion to the number he buys. Even if he had the money to carry these big lots of cattle it would not be economical to carry that amount of money idle the year round in order to take care of that maximum load. Se we borrow large sums of money at the bank to carry us through to the end of the month.

Mr. YOUNG. In that connection, do you ever patronize the packer banks?

Mr. DAY. Our firm has done its business at the Live Stock Exchange National Bank for two generations. Mr. Lawler's father did all his business there before him, 40 to 50 years ago. In that connection I will say that we have never been restricted or hampered or interfered with, and they have given us the greatest consideration and credit.

Mr. MCLAUGHLIN of Michigan. Where is that bank located?

Mr. DAY. At the Union Stock Yards, Chicago. I believe a considerable portion of the stock of that bank is held by the packers. When we went to Kansas City we did business at the Drovers' Bank, and they would furnish us with all the facilities we would need, and as much cash as we would need.

Mr. YOUNG. Are there any rules or regulations on the part of the packer banks that might give you a preference in the way of loans over your competitors in business?

Mr. DAY. No, sir; none in the world that I know of. The only question is whether the other fellow has as good credit as we have.

Mr. REESE. I would like to answer the Congressman along that line as to the condition in Kansas City. It is simply hearsay from my standpoint, but I understand that the Drovers' Bank in Kansas

City is controlled by the packers, and I should think that 85 per cent of the traders do their business in the Interstate Bank, which is an outside bank.

Mr. TINCHER. I would hardly call it an outside bank. Some of the packers are supposed to be fairly friendly with the Interstate.

Mr. REESE. You will frequently hear it remarked that the other bank is a packer bank.

Mr. YOUNG. Is there anything in the financial operations through the packer banks that would control independence of action on the part of these traders?

Mr. DAY. I think not, Congressman. We have had many years' experience in that, and we have never even felt a restraining influence. In fact, I know this, that the president of the Live Stock Bank, Mr. Kiddoo, told me (I happen to be chairman of the feeder booster committee in Chicago, to boost the sale of feeders, to get more cattle back to the corn-growing States). He said to me recently—and Mr. M. A. Traylor—the president at that time—told me the same thing previsously—"Count on us for every accommodation we can give to every cattle feeder at all times. We want to encourage the business."

Mr. McLAUGHLIN of Michigan. That was a banker who said that?

Mr. DAY. The president of the bank; yes, sir.

Mr. YOUNG. The point that strikes me is this. You gentlemen being the traders and making the market for the producers of cattle—suppose you were to accumulate three or four or five thousand head of cattle, and had to borrow from a packer bank a certain sum of money to handle this large supply of cattle. That packer might determine that he wanted those cattle, and having a certain financial power over the trader such that he could drive a bargain with the trader. Would not that ultimately relate back to the price you would pay the producer?

Mr. DAY. In two generations, Mr. Young, we have never felt any such influence, and our credit has always been A-1 for all we wanted to buy at all times. I remember that at one time Mr. Levi B. Doud, who was then president of the bank, said, "Come in after you have made your purchases and let us know what you need."

Mr. YOUNG. Suppose other traders in the stockyards doing the same kind of business as you do, saw fit to go outside to some bank in the city, and borrow money. Is there anything in the customs that prevail at these different yards so that that man is at a disadvantage as compared to the fellow that borrows money from the packer banks?

Mr. DAY. I think not. The ordinary stockyards man borrows his money at the stockyards bank because they offer him better facilities for doing the business. If he wants to place live-stock loans they will give him better opportunities than the so-called downtown banks, because they are more familiar with that kind of business. In other words, they will take paper that the other people will not take. That has been our experience.

Mr. YOUNG. Is there any handicap placed on any firm going outside and borrowing its money wherever it sees fit? Is there anything in that that would work to its disadvantage, in view of the fact that it does go outside?

Mr. DAY. Not that I know of, Mr. Young, and I have been in a position to observe that closely.

Mr. MOONEY. The Stockmen's Trust & Savings Bank was organized some years ago just outside of the yards, and quite a large number of the traders on the Chicago market do business there. That bank positively is not controlled by the packers. I know personally a number of men, large traders that handle their accounts there. I am told they feel no discrimination in any shape or manner.

Mr. YOUNG. The point I am trying to get at is this. Suppose I were to decide to go to Chicago and engage in the stock business, buying and selling stock as you do, and I saw fit to make my financial arrangements at some bank in the city. Is there anything in the trade by which I would be discredited by other traders who deal with the packer banks or is there anything in their rules and regulations or anything in the trade from the packers' point of view that would seek to handicap my operations as an independent trader on that stockyard?

Mr. DAY. No, sir; none whatever that I know of. And I can state that very broadly without any reservation.

Mr. BULLA. I would like to answer for Omaha. There is one bank there called The Stockyards Bank, and there are two others doing business in the Exchange Building, without a particle of preference to either one. All of them are patronized alike.

Mr. WILSON. What difference would it make if they were interested in these banks, if the banks gave the proper treatment to the public?

Mr. BULLA. None to me.

Mr. DAY. I want to add further to that that when we were in business in Kansas City the president of the Drovers' Bank came to the head of our firm and particularly asked us—in fact, tendered us a large amount of business if we would go into selling stock and turning the loans over. They wanted to increase the business, to increase the amount of loans to live-stock producers, and we were traders and competing against them strongly in the markets. That is to say, we were buying about 6,000 or 7,000 cattle a week.

Mr. LEE. It is, I take it, very much more convenient to do that with a bank that is close by?

Mr. DAY. Yes, sir. Not only that, but they have made it their business to give us a little better service than a bank that does a small amount of live stock business and is not so well posted on the trading conditions.

Mr. REESE. If I were to go up town to make my arrangements and were to have a big overdraft like I sometimes have at the stockyards banks, it would scare them to death. Maybe the very next day I would settle, but they would not understand that. It is simply doing business with a bank that understands our business; that is why we are doing business there.

Mr. DAY. May I proceed, Mr. Chairman? I was starting to talk about credit. Now, if were under the control of a commission and there was any uncertainty as to the kind of regulations they would put out concerning our business—for instance, they might put out a regulation as to the length of time we might hold our stock in the yards without disposing of them, with the end in view of making more room in the yards, or with the end in view of having less fill on the cattle, or with the end in view of having those cattle less liable to take cold from standing out in the rain, in case of bad weather, or with the end in view that the stockyards company was short of men or teams and the accumulation of manure and filth in the yards was getting too deep. Or they might make some rules as to the zones to which we could ship our stock from the different markets.

I am only suggesting these things. I do not know what they would do, but I am suggesting some things that commissions have talked of doing. Then the country banker, sizing up the pocketbook of the man who is a trader, will say, "All this is a little too uncertain, your credit will only be good for so much."

For instance, I have $5,000 up in the bank as a margin, and I am going out to buy $50,000 worth of cattle. If I am a successful operator the bank will give me credit, but under these uncertain conditions the banker could say, "Don't buy but half that many, because all this is uncertain and we do not know what is going to be done."

So we feel it will hurt our credit. I suppose 75 or 80 per cent of the money the traders use is borrowed money, either through some broker or through some bank.

Mr. ANDERSON. If you are correct about that, then the volume of business which you do would largely depend upon your line of credit?

Mr. DAY. No; it will depend upon the amount of money the man has behind him or in stocks or bonds or other securities, or else cash in bank, and also on his ability as an operator in the judgment of the banker.

Mr. ANDERSON. I just understood you to say that if we increased the uncertainty of the business the banker would naturally reduce the amount of credit which he would extend to this man. If that is true, then the bank does exercise a very considerable influence upon the amount of business done by the trader, through its control of credit?

Mr. DAY. Surely; I agree with you; yes, sir. That is the very point I am trying to make.

Mr. ANDERSON. But if credit is influenced by such consideration, if it is influenced by a desire to favor one class or another, it might be a very fruitful source of discrimination.

Mr. DAY. Yes; and I have answered that. That in 20 years of my own experience and close observation—I was in the office for 10 years, handling accounts and loans and such things for the firm myself, and I have been in close touch with my neighbors and friends. I have talked to them in other markets, and we have never seen any desire to contract our credit, but rather a desire on the part of the stockyards banks to give more credit as long as the man could put up a fairly good showing that he was sound and responsible and able to produce results.

Another big item in that line is the insurance item. All the live stock in the yards is covered fully by insurance policies through the exchanges to every owner, regardless of who he is, for their full market value. Of course the banks know that in extending credit.

Mr. ANDERSON. That is required by a rule of the exchange?

Mr. DAY. Yes; it is required, and it is one of the big things that the exchange has done for the producer. The producer pays a part of it, the trader pays a part of it, and the packer pays a part of it—by the carload. That is how I arrived at the figures we paid through the Traders' Exchange. We paid for 110,000 cars in the Chicago yards last year. Every animal was fully covered.

Now, there is another reason why we feel that a commission of control would be very detrimental to our interests, and that is our experience in past years with some commissions and some governmental organizations with their red tape that has been in control of our activities. They have been well meaning, I think, and a large number of them have worked out a great deal of good. But some of them have almost proved disastrous in the application, particularly the foot-and-mouth regulations that were enforced during the time of the foot-and-mouth outbreak in a number of the corn-belt States. And there were some railroad regulations put out by the Government during the war. Then there are the present testing laws that are in effect, the testing of the stock before shipping out of the yards——

Mr. ANDERSON (interposing). I do not know what you have reference to there.

Mr. DAY. Perhaps I had better explain it. The various States have laws prohibiting the importation into those States of heifers or cows for dairy purposes——

Mr. ANDERSON (interposing). Unless tested for tuberculosis?

Mr. DAY. Unless tested for tuberculosis. Some of the States have allowed this same she stock to go into these States with an affidavit from the feeder that he would keep them separate from other stock, fatten them, and return them to the market.

Mr. ANDERSON. I know what you mean now; I did not understand what you had reference to.

Mr. DAY. The way that thing has worked out is this. There is a Federal law lapping the State laws, and we are having a terrible lot of contention on it. We can hardly ship a car of stock any more without contention. Just recently the State of West Virginia has ruled—and posted their regulations in Chicago—that not a single car of she stock of any kind for any purpose could be shipped into their State, except for immediate slaughter.

Mr. ANDERSON. That was due, as I understand it, to the failure of some New York officials to properly test the stock which was shipped from New York down to West Virginia.

Mr. DAY. I do not know the reason, but I do know that that is a fact. Take two or three of the New England States (they buy very few cattle, of course, in Chicago), I believe it is New Hampshire and Connecticut. A load of straight feeding steers could not be shipped into those States for feeding on corn or pasture or any other purpose without a tuberculin test. They will not let anything come into those States.

I think the commission might bring in some well-intentioned but misguided legislation of that kind which would be very disastrous to us, and so we are really afraid of that kind of commission.

Mr. ANDERSON. I think you would have a good deal of difficulty in convincing the general public, or in convincing the producer, taking it by and large, that the regulations of the Federal Government in the case of the foot-and-mouth outbreak were not a good thing for the country.

Mr. DAY. They were; yes, sir.

Mr. ANDERSON. I think you would have great difficulty in convincing the producer that regulations by which you can protect his herd against tubercular cattle are not a good thing. As a matter of fact, my guess about it is that these regulations with reference to tubercular animals worked out to the advantage of the yards and to the advantage of the packers as much as anybody else.

Mr. DAY. I agree with you, Mr. Anderson. I fully agree with you, and I do not want to go on record as objecting to those things. I am heartily in favor of them. Healthy cattle are the life blood of our business.

The Federal Government in the foot-and-mouth disease eradication campaign did a wonderful service, but as a part of that great fight there were minor things that proved to be mistakes. Terrible mistakes in parts of Illinois and parts of Indiana and in the public stock yards at Chicago were a part of that campaign. The final result was good, but there were thousands and millions of dollars lost by the producers and traders and everybody in the live stock business that need not have been lost.

Likewise, I think considerably better judgment could be used by getting more closely in touch with practical cattle men concerning this testing law. I have here some of Mr. Mercer's talk on that subject, in which he as a producer disagrees with some of the rules put out by the department.

Mr. ANDERSON. I do not know anything about the application of the rules to the testing of feeders and stockers at the slaughtering points or at the marketing points.

Mr. DAY. I do not want to bring this into the discussion, except to illustrate this fact, that we have had so much experience over a number of years with commissions, and their well-intentioned but misguided public orders have proven disastrous and then were afterwards revoked after the loss and damage had been done.

Mr. WILSON. I rather understood from Mr. Anderson's question that he had the impression you were opposed to this tuberculin test, and so on. Is that correct?

Mr. DAY. Oh, no; I am very much in favor of it. In the application of it I believe it could be more wisely made by getting in touch with practical people.

I want to add this. Every one of these gentlemen here (our committee) is here on his own time. Not a single man of us has one cent of salary from any organization or anything else. The expenses of the men who are here will be paid out of the organization's treasury, and that is all. We are giving our time to this because we felt that we wanted to give the committee all the information and all the help we could and feel that our business will be jeopardized by such a bill.

As I said before, we are against this bill. We think it is not going to be a good thing for the producer, that it is not going to be a good thing for the live stock industry—this commission form of control. If any laws are needed, we ask that they be specific laws, and we will live up to them; if we do not you can put us in jail. And the rules that we put out for the guidance of our exchanges in the different markets are going to conform strictly to the laws of the land, but as far as it is possible we want to make them such as to attract business to the market and attract men to the market and not drive them away. And we are ready at any time to hear any complaint and to reprimand and punish any member of our exchange if anything that he does is not right and in conformity with sound business principles.

Let me say a word as to the industry, and then I am through. As I indicated a while ago, I feed a considerable number of cattle on my farm—not a large number. I am associated with Mr. Lawler, who feeds more cattle, I think, than any man this side of the Mississippi River. He has on his farms now about 4,000 cattle, which, of course, is a good many for the Central States. And I know he is very much opposed to this as a producer, to say nothing of his stockyards business. We feel that it will not stimulate production at all, but will hinder production.

We find that in talking to cattle men who come to the yards every day from the corn belt States, when they mention this bill, and practically everyone has said he is aganist it, all that we have talked to. There may be a lot that we have not talked to, but practically everyone to whom we have talked says he is against it.

Mr. McLaughlin of Michigan. Do you find that many of them have seen the bills?

Mr. Day. No; I find they have not, naturally.

Mr. McLaughlin of Michigan. Do they seem to know anything about it except what you tell them?

Mr. Day. Yes; they read the newspapers; certainly. They know what the newspapers say about what legislation it is proposed to enact.

Mr. McLaughlin of Michigan. Do they impress you as speaking understandingly of the measure?

Mr. Day. We do not go into detail with them. I could not answer that. They say that they are opposed to Government commission control of the public live stock market, the traders, the commission men, and such like matters in which they are interested, because they think the next step is to take hold of them.

Mr. Tincher. That is their resaon for being opposed to it?

Mr. Day. That is one reason; yes.

I want to make this point too, Congressman. A good many of our traders actually do less business than a lot of men in the country do that are not governed by any rules except the law.

Mr. Young. I want to ask you a question on that point. Down in my State of Texas and a good deal of that southwestern country is the breeding ground for the feed pen of the corn belt. How much trading is done directly between, for instance, some man in New York that wants to put a hundred steers on feed and the Texas producer? Is there any direct trading?

Mr. Day. I do not know, because I am not in New England, and I have never been in Texas.

Mr. Young. Well, say Illinois, or any of those States.

Mr. Day. You mean how many farmers go from their homes and deal directly with the ranchmen?

Mr. Young. Yes; deal directly with some man in Texas or some man in Colorado.

Mr. Day. I think a considerable number. We have many customers that go up into Minnesota and Iowa, and buy cattle from the farmers up there. I understand the Swenson people of Texas sell thousands of cattle direct to the producer.

Mr. Young. They are in my State, and I understand they have built their business up to a great extent. I understand they have built their business up in such shape that if I were a feeder in Illinois and wanted 100 head of a certain grade and weight I would simply write to Swenson, "I want 100 head of such and such a cattle," and they would deliver them. Is that kind of business increasing?

Mr. Day. I think it is; yes, sir.

Mr. Young. And the producer on the farm dodges any conditions: it is just simply a direct trade?

Mr. Day. Yes, sir; I want to offer for the record a resolution that was passed by the Chicago Traders' Exchange at our annual meeting about two weeks ago. I have not the date, because I do not happen to have the resolution with me, although I have a copy of another one in the same language. We had about 150 or 175 traders there, and the matter was discussed fully and the resolution was enthusiastically passed. A copy of the resolution was mailed to the different exchanges in the West; and the St. Louis exchange passed an identical resolution. Kansas City referred theirs to their legislative committee, and the general sentiment out there is that it will be passed. This resolution reads as follows:

> *Resolved,* That the Traders' Live Stock Exchange of National Stock Yards, Ill.—

I am reading their resolution, because, unfortunately, I did not bring a copy of the Chicago resolution. The two resolutions are identical.

> is opposed to the governmental regulation of the live stock and meat industry as proposed by the Kenyon-Kendricks-Anderson-Gronna bills now before Congress of the United States. We believe such regulations are detrimental to the best interests of both producer and consumer and will do more harm than good. If evils exist to the extent that additional legislation is needed, we believe the proper method of correcting them is by specific laws forbidding defined practices, and that so great an industry should not be placed at the mercy of any commission such as proposed, and which would, in effect, have the power to enact its own laws and to punish infractions thereof. And be it further
>
> *Resolved,* That we urge upon the Congress of the United States that before any legislation affecting our industry is enacted, a joint committee of both houses of Congress call a conference of delegates representing the producers, shippers, railroads, stockyards, commission men, traders and packers, in an effort to agree upon legislation found to be absolutely necessary and essential. Such agreed legislation should not contemplate the establishment of more bureaucratic control, but merely the enactment of a minimum of specific laws.
>
> *Resolved further,* That a copy of these resolutions be sent to each Senator and each Congressman from the States of Missouri and Illinois.

Mr. Wilson. How large a proportion of your membership was present at that meeting?

Mr. Day. Approximately half, and every one there was very much in favor of the resolution, and they passed it with a whoop, and every one I talked to said they were in favor of it.

Mr. Wilson. You think practically all of those present were in favor of it?

Mr. Day. I know that all of them are, Mr. Congressman: I will vouch for that.

Mr. Rainey. Mr. Tincher in referring to Mr. Brown, of Chicago, paid him the very high tribute of being exceptionally well informed. I do not know whether Mr. Brown admitted that he was the king-pin of the industry or not, but I think he impressed this committee he knew his business. A question arose at that time between Mr. Tincher and Mr. Brown as to whether or not the commission man should perform the duties of the trader by sorting the stock, and I think Mr. Brown said that the commission man was willing and did sort the stock of his shipper when possible, but I think he also agreed that the trader could perform that function better than the commission man. Could you give us information on this subject?

Mr. TINCHER. If the gentleman refers to me—I do not know whether he means me or not?

Mr. RAINEY. Yes; you are the gentleman I had in mind.

Mr. TINCHER. There was not any argument between Mr. Brown and myself.

Mr. DAY. You both agreed?

Mr. TINCHER. He agreed that the commission man should sort the cattle and then if such assortment——

Mr. RAINEY (interposing). Was it not your contention that the trader was unnecessary?

Mr. TINCHER. Unnecessary?

Mr. RAINEY. Yes, sir; unnecessary.

Mr. TINCHER. You never heard me make such a statement.

Mr. RAINEY. That was the inference I drew from the question you asked.

Mr. DAY. Mr. Congressman and Mr. Chairman, I will try to explain that matter a little more in detail. The commission man does make every effort he can to sort all the cattle possible in order to get every dollar out of those cattle he can for his shipper. If you gentlemen are not familiar with the commission business, you have not any idea how keen the competition is between the commission men for business. They send men out into the country who camp at a man's door and try to get him to consign his stock to them, and when they get the stock in there they do everything they possibly can to get every dollar for the stock for the shipper.

Mr. TINCHER. You are speaking of the past.

Mr. DAY. The rules govern that now. They still allow their men to go out at certain times.

On arrival, they sort this stock up just as closely as they can in the way they think it will bring the most money. If they have a four-car-load bunch of cattle and the man who shipped them is right with them, they will say, "Mr. So-and-so, I think it would be better to sort this cattle," and Mr. So-and-so may reply, "I do not believe I would do it. I think they will bring more money right the way they are." That is one of the efforts they make to fix the stock for the best possible sale.

After they have sorted them just as good as they can, of course, there is still a mixed class of cattle that can not be sorted any further, and many times the trader will go in and give more than any packer in the market. In fact, nearly all the time they do give more, because they try the packer out before they try the trader, and frequently the trader will give 10 cents more than the packer did and even a quarter more; and then he sorts up and reclassifies and maybe makes a little profit; they often do, because of the trade that they go into, as I explained fully awhile ago.

I think of nothing else I wanted to say. I think Mr. Reese wants to say something.

The CHAIRMAN. You were speaking about the membership of your organization?

Mr. DAY. Yes, Mr. Chairman.

The CHAIRMAN. Is the membership open to all so that anybody may become a member? What are the qualifications; and what are the requirements?

Mr. DAY. Just the requirements that he be a clean business man, whom we directors think is going to be honest. If he is a snide, a crook, and trickster we do not want him. Any man who comes to us whom we think is clean and decent may come right in. Our doors are open all the time.

The CHAIRMAN. Is it open to all?

Mr. DAY. Oh, absolutely. We really wish more men would come in and buy our memberships and join our organization.

The CHAIRMAN. As I understand, your memberships sell at $2,500?

Mr. DAY. They sell at $2,500 if you buy them out of the exchange, but a man can go in the open market, if a membership can be found, and buy for something like $2,100 or $2,200.

The CHAIRMAN. What does that represent? Have you a paid-up capital?

Mr. DAY. No; we have no paid-up capital.

The CHAIRMAN. Then, what does this $2,500 represent—all of the privileges of being a member?

Mr. DAY. I have just pointed that out. If we have a mix-up or a misunderstanding of any kind with any commission firm in the yards, or another trader or a packer, our association stands ready and willing at all times to help straighten out this matter without having to go to court. If a man is guilty of dishonest practices, we stand right there and see that he comes right to the line or gets out.

The CHAIRMAN. What is the $2,500 used for?

Mr. DAY. You ask whether it goes into the treasury?

The CHAIRMAN. Yes.

Mr. DAY. It is kept in the treasury as a fund.

The CHAIRMAN. A fund for what?

Mr. DAY. Well, at the present time we only have some $30,000, because when our memberships were issued they were issued at only $10 apiece, but they have grown in value on account of the benefits that the exchange has been to the market; everybody has been for it. The fund in the treasury is behind each membership which has its pro-rata share in the same.

The CHAIRMAN. Explain that to us—What the advantages are of being a member and enjoying the privileges of the association.

Mr. DAY. The privileges of being protected in your trades. In buying from the commission man, the commission man guarantees and warrants the title of anything we buy. If the cattle are stolen or mortgaged, we do not need to care a thing about it. When they are weighed to us, our title is good. Then we get the benefit of this insurance. Every one of the animals is insured that is handled by the exchange.

Then the disagreements and troubles that may arise are taken care of by the exchange. I am protected from 400 or 500 buyers, both packers, commission men and traders. When I go out and go into a pen and bid and make an effort to buy, I am protected in a sense that the others can not rush in and try to buy these cattle while I am trading on them, and I am protected in case of mixed cattle or stolen cattle, or any cattle that are looked up and not found all right. The exchange goes to the stockyard company, and all those matters are straightened out; clean competition and clean trading is assured.

The CHAIRMAN. This $2,500 is a sort of guarantee fund or an insurance fund?

Mr. DAY. We have never sold a membership out of our exchange, Mr. Chairman. If a man comes and buys a membership it would cost him $2,500 out of the exchange, but we issued between 500 and 600 memberships when we started, at $10 apiece.

The CHAIRMAN. Then the stock originally was $10, and now it has gone up to $2,500; is that it?

Mr. DAY. Yes, sir. But in the sale of these memberships that have been made, they have been from one member to another man who wants to become a member, and none have been sold out of the exchange at over $10.

The CHAIRMAN. Then, we understand a share selling outside of the exchange represents $10 investment?

Mr. DAY. No.

The CHAIRMAN. You said they originally sold for $10?

Mr. DAY. Yes; but we have raised the book value, and if a man comes in to buy he has to pay $2,500.

The CHAIRMAN. Then you get $2,500 into the treasury?

Mr. DAY. But we have never sold one.

The CHAIRMAN. But the original price of one share was $10, and it is now $2,500?

Mr. DAY. No; worth $2,100. Three or four years ago, when trade was bad and men were losing money hand over fist, you could have bought all the memberships you wanted at $150, because the trading fell off during the foot-and-mouth disease, when our market was closed on account of quarantine, was hardly worth anything.

The CHAIRMAN. Have any funds of the organization been paid out for insurance?

Mr. DAY. No; because the commission men warrant all titles to us. The fire insurance is paid by each firm. They have often had to pay heavy losses on cattle that were mortgaged—when they gave the money to the wrong man—but we were protected.

The CHAIRMAN. I am trying to find out what induces a man to give $2,100 or $2,500 for one of these memberships.

Mr. WILSON. Just the privilege?

Mr. DAY. It is the privilege of trading; it is the privilege of becoming a mamber of this organization. But one does not have to buy this membership unless one wants to in order to enable one to go there and buy and sell.

The CHAIRMAN. There must be some advantages?

Mr. DAY. There are hundreds of advantages. I am trying to point them out to you, Mr. Chairman.

Some of them are fire insurance, redemption value of the membership at death of the member, protection against unfair competition, against dishonest practices, prompt settlement of disputes regarding prices, etc., guaranteed title to all purchases from the commission men, protection against unfair practices concerning the traders' customers, prevention of dishonest men in the trade, and clean and honest business methods, with a view of the best interests of the shipper and public.

The CHAIRMAN. The question is what are the advantages? Are they through some combination or conspiracy?

Mr. DAY. No, sir; just a clean agreement like exists in any business, whereby a man who is a member of the exchange is protected.

The exchange handles all that for him. Secondly, he is protected from interference in his trading.

The CHAIRMAN. "Interference in trading?" What is "interference in trading"?

Mr. DAY. For instance, you are in this pen [illustrating] trying to buy a car of cattle and you had bid 10 cents a pound, and suppose I slipped up to the gate and I give the salesman the wink and beckon and I said I would give 10.10, and you would have to raise 10 cents a hundred right there. That was done time and again before the exchanges were established.

Then, if I were trying to sell a car of cattle and some one would come up and wink or beckon for the buyer to come away or if a man was guilty of other unbecoming business conduct, it would cost you lots of money. But where I am required by the rules of the exchange to keep away from you until you have finished your trade, and you can buy that car of cattle fairly as between the selling man and the country commission man or packer, you are not interfered with until you have concluded your trade. Likewise, members are prohibited from telling producers that they would have given more money for the stock their commission man sold, or telling buyers from the country that they paid too much for what they bought, etc. Such unmanly practices only make for trouble and dissatisfaction and cause patrons of the market to feel for more dissatisfied and suspicious than any other practice. Dirty trading leads to dishonest conduct and all such have no place in the live stock trade. All improvements along these lines are for the direct protection and benefit of the producer. The trader also is required to accept any stock sold him at price offered by him at time of sale.

The CHAIRMAN. Might not that practice be considered as stifling competition?

Mr. DAY. Yes; but it is very unbecoming competition and results finally in lower sales for the producer and uncommercial trading.

Here is another thing. Let me show you where we are protected here. It has been the practice in years gone by that—I do not like to get into those things, but I will have to——

The CHAIRMAN (interposing). I am frank to say that I think the people in the country are more concerned about the practices in the stockyards than they are about the packers.

Mr. DAY. I hope I can make this clear to you, Mr. Chairman.

The CHAIRMAN. It has been alleged that the country buyer can not buy a single load of cattle direct from the shipper.

Mr. DAY. Oh, he can.

The CHAIRMAN. Except through a commission man.

Mr. DAY. He can buy any sort of cattle which may be in the market. The only reason he does not do so is because they hardly ever come in even loads such as he wants to buy. He wants to sort. The commission man finds it better to sell them all sorted rather than have a few tail ends left.

The CHAIRMAN. You have stated the commission men sort the cattle?

Mr. DAY. Yes.

The CHAIRMAN. Why do they not sort as much for the country man?

Mr. DAY. They do, sir. But if a man has two cars of cattle that would sell together, he can not well sort out his top car of cattle and then try to find a buyer for the tail end, because he might have trouble to find a buyer.

The CHAIRMAN. I have been in the market 25 years. I have some knowledge of the stockyards. I have been buying and selling, in a limited way, of course, for that period.

Mr. DAY. Do you not know, Mr. Chairman, that after you have sorted out the top grades it is very hard to sell the tail end?

The CHAIRMAN. But they are sold.

Mr. BULLA. Suppose you ship in two carloads of mixed stock of cattle. Would you recommend to the commission man who is going to sell for you—would you consider it a good business proposition for that commission man to sort to some countryman or to sell to Mr. Day, and sell the top load out of those two carloads of cattle?

The CHAIRMAN. I would leave it to his judgment, because I employed him for that purpose.

Mr. BULLA. He will protect you and he will sell those two carloads of cattle together. If he does not, he will have hard times selling the tail ends.

The CHAIRMAN. I am speaking of the practice in the stockyards. The practice is the commission men sort the cattle in every instance.

Mr. BULLA. To take the three-year olds and two-year olds and the cows and classify them.

The CHAIRMAN. If I ship a carload, they have usually been fed in the same lot and bought practically from the same party and are about the same grade, and yet I find them sorted out. That is a common practice. I am not finding fault with a good commission man for doing that.

Mr. DAY. During this past season, on account of the drought conditions, we received an unusually large number of range and grass-fed cattle. Now, it is an open fact that those grass-fed cattle were sold to the farmers day after day direct on the open market by the commission men, and they did sort them out when their judgment warranted them in doing so, when it was advantageous to do so, and sell 5 loads of cattle and 10 loads of cattle and 2 loads of cattle to outsiders, depending on how many they had. Everybody knows they did it. But it is a question of the judgment of the selling man. If he thinks he can take out a carload of his top cattle and make such a sale for them, and then figure what he is going to get for his tail end, that is the best way to do it. If he can not do that, then he prefers to sell them all together.

The CHAIRMAN. My contention is that the commission men do sort the cattle, and then they sell them to the trader and the packer. Why do they not do that for the country buyer?

Mr. DAY. They do that for the country buyers.

The CHAIRMAN. Then why was the arrangement made with the Bureau of Markets to sell them in carload lots only?

Mr. DAY. How is that?

The CHAIRMAN. Why was the arrangement made with the Bureau of Markets that thereafter it would be the practice to sell to country buyers in carload lots, but not in split lots?

Mr. DAY. I never heard of that; it is a new one to me.

The CHAIRMAN. Do you contend that sales are made generally to country buyers by the commission men?

Mr. DAY. I contend that the large majority of the sales to the country buyers are made by the stockyard trader. Why? Because he can go down to the trader and get just what he wants.

The CHAIRMAN. I agree with you on that, but the prohibition is there.

Mr. DAY. Let me give you a specific case. I had two men on Monday who bid me on two cars of cattle—they were from southwest Virginia. I could not sell the cattle, because I did not think they were bidding the market. The cattle afterwards brought a little more. I saw those two men the following day, and some of our men who talked with them said that they had been up in the yards and had bought two carloads of one of the commission firms. That was perfectly all right. Nobody found any fault about that. That is done every day. Does that answer your question?

The CHAIRMAN. I believe that the traders should be encouraged. I believe they are engaged in a legitimate business as much as anybody else, but if they have an absolute monopoly——

Mr. DAY (interposing). Oh, they have not.

The CHAIRMAN. That simply cuts out the country buyer, and he must go through the brokers or traders, or whatever you may call them—that is quite a different thing. I know this, that if my cattle are sold to Lawler, and if 50 cents is added to the price and 40 pounds of water is added, I know somebody is out. It is either the fellow who buys or the fellow who sells now, whereas if they can be sold direct that 50 cents and 40 pounds of water would be saved to the shipper and the buyer.

Mr. DAY. That is extreme and practically impossible.

The CHAIRMAN. I know that has happened, because I looked into the matter. I know of instances where the price was 50 cents higher than the price paid by the trader, and I also noticed that a little feeding and a little watering had been added to it. That is natural. I do not find fault with them; that is their business. I have bought cattle from scalpers, and I know there has been considerable shrinkage.

Mr. DAY. And often there would be if you bought direct.

The CHAIRMAN. I have knowledge of the practice; I have gone to commission men and asked them to buy direct. It could be done a number of years ago, but the last few years it could not be done in the St. Paul market, except through the Equity people. I do not know whether they are in business now or not, but they sold direct to the country buyer.

Mr. DAY. St. Paul has no trader's exchange at all, Mr. Chairman.

I want to go on record in saying this, that in all my experience and with all my knowledge of our business and that of a good many others, that the average gain on stock cattle is less than 10 pounds per head the season through. The profit of 50 cents per hundred which may possibly occur at times is fair, and is far more than the average profit which a man gets, often a loss of 50 cents is made. I might get a good sale for the simple reason that he might find a buyer who liked the cattle better than another man. It is the same as if two men go to a store to buy a suit of clothes, and one buys a suit at $90 and the other one buys a suit at $75, and maybe the one who bought at $75 gets the best suit. It is a question of how they judge these cattle.

I know men who come to Chicago and buy feeders year after year who never have bought a carload of cattle from the traders. They buy in the open market, which is perfectly all right. We go out and bid and get them if we can; if not, we let them buy them, but as to the question of sorting, the commission man is willing and ready to sort, but very many times he has found to his sorrow that by selling out his top that he did not get a sufficient price for his tails to even up what he could have gotten for the entire herd sold as a single bunch.

The **Chairman**. But the tail ends you refer to are canners?

Mr. **Day**. Oh, no; I mean what is left back, second choice.

The **Chairman**. You are speaking of fat cattle?

Mr. **Day**. No, I am speaking of stocker cattle and feeders. Many a man, I say, will have 50 or 60 cattle to sell, and he will sell out of the top load, we will say, at 10 cents. Maybe he could have gotten 9.75 for the two loads. Yet he finds that when that second load thrown back is sold, the cut-backs, that he has not got as much money as he would have gotten for all of them, and that is why he sells as a two-load bunch together.

The **Chairman**. I have here a statement of some of my cattle sold at Kansas City—two were sold to Swift at $9; 18 to Wolf at $5.85; Lawler, 31 steers at $6.50.

Mr. **Day**. When was that?

The **Chairman**. This was November 1, 1915.

Mr. **Day**. I think we were in business there at that time.

The **Chairman**. Take another shipment, December 5, 1917. They were all split up, and so it is with every shipment.

Mr. **Day**. Surely. That is just what I am saying; all the time they are sorted.

The **Chairman**. Sorted by the commission man?

Mr. **Day**. They are, sir.

The **Chairman**. That has been my experience during all the years I have been going to the stockyards. I find that the first thing they do in the market is to sort the stock, either by weight or quality. My contention is that if the practice of sorting for the trader, and for the packer is fair, why not sort them for the country buyer? As a general thing the country buyer is as good a judge of cattle as the traders and the stockmen. I think you draw on the country buyers for salesmen and handlers of cattle. I congratulated the Bureau of Markets in securing the privilege of selling carload lots if not split lots. I have said, "very well; under such arrangements the country buyer can buy carloads and sort out what he does not want and resell them;" I told them that is quite a victory, and that they have scored a point. That arrangement, as I understood, was made.

Mr. **Day**. I never heard of it at all.

The **Chairman**. You were present at the hearings in Chicago?

Mr. **Day**. No, sir; not at that hearing. I do not know what hearings you refer to.

The **Chairman**. The hearings held in Chicago on the practices where licenses were issued. You are familiar with the provisions in the license?

Mr. DAY. They probably followed the lines of our old rules.

The CHAIRMAN. The Bureau of Markets gave notice they would not tolerate that practice?

Mr. DAY. I can only repeat again that the commission men do sort the cattle any way they can get the most money for them, and sell them to anybody who comes along and bids, and if that fellow wants to sort some they let him sort, if in their judgment they can get more money that way.

The CHAIRMAN. I was anxious to know what the practice was.

Mr. REESE. Mr. Chairman, I think there is quite a good deal of the sorting business. I spend six hours a day sorting.

The CHAIRMAN. Yes; and we are told that the country buyers will not buy because they will not sort them. There seems to be quite a bit of confusion about that.

Mr. REESE. In your sale that was a mixed shipment?

The CHAIRMAN. They are generally mixed shipments from my section of the country.

Mr. REESE. There were calves and steers and cows in that shipment. Our argument about that sorting is for quality. I can go to work and take a dozen cattlemen and turn them loose in a drove of cattle, six loads of cattle, and say, "Sort the best load out." What would suit you would not suit me; and what would suit me would not suit Mr. Day. This man is sorting to get an even bunch of cattle as to quality, breeding, and everything.

The CHAIRMAN. You do not always sort the cattle. The buyer comes around and says, "I will buy so many."

Mr. BULLA. Do you mean the country buyer or trader?

The CHAIRMAN. I am talking about the St. Paul and Chicago market.

Mr. BULLA. Are you talking about the country buyer or trader?

The CHAIRMAN. I am talking about the commission man and the sorting of cattle. Quite frequently they are put in one pen and the buyers come around and say, "We will buy so many cows at a certain price, and do not want the others at all." Another buyer comes along and says, "We will buy five steers," whatever it may be; another buyer says he will buy this many and another that many. Generally they are not put in different pens; they are sold direct from the pen and sorted by the buyer.

Mr. REESE. A man will buy, say, 30 out of 40; he has the privilege of putting these cattle in the alley and sorting up to 30.

The CHAIRMAN. You are speaking about the trader?

Mr. REESE. Yes. If I go into the yards and there is a load of 45 cattle, I look them over as to the kind of cattle, to see the way I am going to sort these cattle, and how I can work a little profit out of them. If these cattle run all right, I will bid straight. There is where the confusion comes in about the man sending these cattle back to the country. There are very few men who will bid on that load of cattle. They want to take them back to the country, and there are those four or five cattle in there which they have no use for when they got back to the country with them. They can buy the load of cattle just the same as I buy them, if they bid more than I do. It is simply because they do not want those cattle. I take those four or five or six cattle and I have got mote cattle of the same kind to put with them to make a load. These conditions are different all over the yards.

You take the men from central Kansas west and you can not sell them anything but a white-faced steer, and they will buy 90 per cent white faced, and you can not sell them anything else. The man in the East likes a good short-horn better than he does the white face. Another fellow down in southwest Missouri wants plain cattle; he is handling down there what we call Dogie cattle and common cattle. We have places where we sort all those cattle and make up loads.

The CHAIRMAN. You say you and the commission men do the sorting. Why not do the sorting for the country people? We buy a car load and later sell a few we do not want. Our only controversy is whether the commission men should sell direct to the country buyer.

Mr. REESE. As I made a statement—our figures can be gotten from the Stock Yards Co.—that only 80 per cent of the cattle in the year 1918 which went to the traders were stockers. We have a little different condition in Kansas City than Chicago. I will venture to say that 98 per cent of the cattle that the traders buy in Kansas City are stockers and feeders. Last year I handled 56,000 cattle, and the only cattle I sold for killing cattle was an occasional fleshy steer I got out of my stockers. I never bought a load of fat cattle. I do not deal in them. I venture to say that of the stock sold on the Kansas City, Chicago, St. Louis, Omaha, St. Jo, Sioux City, and Denver markets combined that 20 per cent of those went direct from the commission men to the farmers.

The CHAIRMAN. You mean what you bought?

Mr. REESE. No, the total receipts of the stockers and feeders on the Kansas City market, 20 per cent of those never went into the traders' hands at all, but were sold direct to the farmers by the commission men.

The CHAIRMAN. What year was that?

Mr. REESE. 1918 or 1919, either one.

Here was another thing I was going to say along that line. Last year I bought and sold 56,000 steers. In buying those 56,000 steers I will venture to say that possibly 30,000 of those—these are only approximate figures—but I venture to say that 30,000 of those cattle I actually purchased were bid on by outsiders, and the only reason I got them was because I bid more on them than they bid. There is no man who comes to market but what can buy cattle right from the commission man. I will tell you something about that. I have seen it tried.

The CHAIRMAN. My experience has been entirely different.

Mr. REESE. I was going to cite a little incident. Not long ago a drove of cattle came in from Minneapolis, Kans., and a neighbor of the fellow who was shipping those cattle had bid on them in the country, had tried to buy them from him out there. The owner of the cattle thought they would ship out for more money and he would not sell them. His neighbor followed the cattle to Kansas City for the purpose of trying to buy them, and when he got there he bid on them again. He did not know how fast the market was. He really did not know the price of the cattle, and they were sold afterwards, and I happened to be the man who bought them. He bid 10½ on a load of the cattle, and I bought them at 10.65.

He came to me after I had bought them, and he said: "I will give you a nickel a hundred profit on the cattle. I followed them from Minneapolis, Kans., and I had a chance and did not buy them, and I will give you a nickel a hundred profit." A nickel a hundred on a load of cattle is so little that you can not hardly trade on it, and I said "I could not trade on a nickel." On a load of cattle, 22,000 pounds minimum, a nickel would be $11. I said, "I can not trade on a nickel; I can not live and trade on a nickel on a carload of cattle like this, but I will take a dime a hundred." He refused to give it to me and he said, "No; it is too much profit for you." I sold the load of cattle, after they were sorted up and a few tail ends taken out, and I probably worked some money out of them.

That fellow had just as good a chance as I had. But his judgment and the fear that he was giving too much deterred him. Yet when the price was established, he was willing to give another nickel, but the lowest he had bid was 10¼. Those things happen frequently. It is just like if I should come back here to New York and went on the stock market in Wall Street and I wanted to buy some bonds, I would be scared to move until I had heard some other fellow bid, and then I would probably say, "I will give you a nickel more." Those conditions exist quite often.

I am familiar with conditions out in Kansas myself. I have a farm just outside of Lawrence, Kans., and I lived out there for years, and it is not any detriment to the farmer that he can not keep up with market activities, especially on a fast market, because if you are not doing the business daily it is pretty hard to follow. I find in my own trading every day that sometimes it gets away from me, and I bid on some cattle that I realized after I had bid on them that I had bid too high.

There is one thing I wanted to say, Mr. Chairman, in regard to the question you were asking Mr. Day, about our exchange, the point of what this exchange is good for, whether a protection to the farmer or making the yard trader abide by the rules. For instance, we have rules of the exchange in this way: I go in on a drove of cattle, let it be 1 load or 20 loads; and when I am in there I bid what I think these cattle are worth, and sometimes, you know, after I bid I realize that I am bidding pretty strong on these cattle, and they look a little high to me, and I hope he does not sell them to me; and maybe I start to get out and get away, and as I go out I am afraid. But as I go out the gate he says, "I am selling them to you," and I have got to take them; the exchange makes me take those cattle.

On the other hand, here is another thing. An outsider comes to my pens and bids on two or three loads of cattle, just the same as I was bidding on this other fellow. When he is bidding a pretty good price he says, "Wait until I look them over. Maybe I do not want them." In that instance I have no means of making that man take that load of cattle.

There is one thing we force our men to do that the other fellow is freed from.

These are conditions governing our exchange that I do not think are thoroughly understood.

Our Kansas City conditions differ from those at Chicago. I think every market differs from another, because we are handling different grades of cattle. In our business in Kansas City we buy most of our cattle from Kansas, Colorado, Oklahoma, and Texas, They are all thin cattle that come in from the grazing country, and we buy these cattle and sell them to a corn belt man who puts them on feed.

Mr. ANDERSON. Is your exchange incorporated?

Mr. REESE. Absolutely not.

Mr. ANDERSON. It is simply a volunteer organization.

Mr. REESE. It is voluntary.

Mr. ANDERSON. You have no State or municipal charter of any kind?

Mr. REESE. No, sir.

Mr. ANDERSON. Is the membership in the organization limited?

Mr. REESE. No, sir. Our exchange in 1918 had a membership of 285, and we have 340 now. Mr. Day said 330, but it is 340.

Mr. ANDERSON. You are talking now about Kansas City?

Mr. REESE. Yes.

Mr. ANDERSON. What qualifications does a man have to have to get a membership in your exchange?

Mr. REESE. When a man makes application for membership in the Trader's Exchange, his application is turned over to the application committee, which consists of three men. They investigate this man as to his honesty and integrity, and as to whether he is a man who would be worthy of a membership in the exchange, not financially but as to his honesty and integrity. If he comes from another market, we try to get in touch with the other market to see if he has been suspended or expelled from that market. It is only along the lines of honesty and integrity.

Mr. ANDERSON. What membership fee does he have to pay?

Mr. REESE. If he buys a membership out of the exchange, it costs him $3,000.

Mr. ANDERSON. That is what I am trying to get at. What do you mean by "if he buys a membership."

Mr. REESE. There are lots of floaters, lots of memberships maybe a man could buy.

Mr. ANDERSON. What I can not see is how a membership has any value unless the membership is limited.

Mr. REESE. It is only the commercial value that a man puts on it by wanting it. It is the same as the membership on a board of trade.

Mr. BULLA. Suppose somebody goes broke or dies, there is naturally a membership for sale.

Mr. ANDERSON. If he can get in by making application, why does he buy a membership?

Mr. REESE. He has to buy a membership in the exchange under any circumstances. About the value, the only value I can see you can pay on it is that we have a redemption at death of $2,000; that is simply optional with him, whether he accepts the redemption fee or sells it on the outside. Consequently, that causes a floating price on the open market of somewhere around $2,000. The banks will loan money on the memberships sometimes. Several fellows have borrowed money on their membership, and the bank will loan along this line what it is worth at redemption, at death.

In the matter of the transfer of a membership if I came to Kansas City and wanted to buy a membership and you were quitting and wanted to sell, that is only an individual deal between you and me. But if you sell me that membership at $2,000, then I have to pay the exchange a transfer fee of $100.

Mr. ANDERSON. Suppose I buy a membership. What control has the exchange over me; how does the exchange have anything to say about it?

Mr. REESE. Over you in your deal?

Mr. ANDERSON. Yes.

Mr. REESE. They make you live up to our rules and regulations of the exchange.

Mr. ANDERSON. How are they going to determine whether I become a member or not?

Mr. REESE. Oh, you are put up and voted on. This investigation committee looks up your past record, and refers that back to the executive committee.

Mr. McLAUGHLIN of Michigan. Does the exchange refuse transfers in any case?

Mr. REESE. Yes. It is referred back to the executive committee, and they make their report of what they found out about you. If they can not find anything against you and you appear to be a man honest and your integrity is all right, you are put up and voted on by the executive committee. Then, if you are passed, you are a member of the exchange when you put up the $100 transfer fee.

Mr. ANDERSON. These memberships are supposed to have a book value?

Mr. REESE. The only book value I think you could determine along that line is what it is worth at death, the redemption value.

Mr. DAY. May I help out there a bit?

Mr. ANDERSON. I would be glad to have you help out if you can.

Mr. DAY. Suppose the men in this room are members of the Kansas City or Chicago exchange. This man [illustrating] says "I want to sell my membership." A man from the outside says, "All right; I will buy it. What do you want for it?" "I will give $2,500."

Mr. ANDERSON. Why does the membership have any value if there is not any limit on the membership?

Mr. DAY. He buys that membership from this man [indicating]. This man is not a member any more. The membership goes in and is transferred to this new member, if he, on investigation, is found to be a good, decent kind of a man. We do not want any scapegoats. Then he becomes a member on the payment of $100 transfer fee.

Suppose that no man in this room wants to sell a membership. The man says, "I want to do business; I want to become a member and partake of the privileges." "All right; go up to our secretary." He goes to the secretary and asks, "How much is a membership worth?" "Three thousand dollars in Kansas City and $2,500 in Chicago." He goes up and pays the $3,000 and gets it, and we have that new certificate issued to that man.

You ask on what we base the value of $3,000?

Mr. ANDERSON. Yes; I would like to know how you arrive at that. In other words, I want to know how the membership, which was worth $10 when you first organized, is now worth $3,000.

Mr. DAY. I will answer that in this way: Because of the ability of the men in the trade to earn money. It is just the same as a membership on the board of trade, or anything else. If they could not earn money on Wall Street they would not want any membership on the New York Stock Exchange.

Mr. **Reese**. It is practically the same as the grain exchanges.

Mr. **Day**. Take it in Chicago during the foot-and-mouth epidemic, when hardly any business was being transacted on account of the yards being quarantined, and any number of men would sell a membership at $100 to get out, because they could not earn anything. They were losing money all the time. But when business gets good the memberships increase in value; everybody wants to go and buy one. At St. Louis in recent years they have sold 10 memberships out of their exchange at $1,500, because the men wanted the privilege of trading on that market.

Mr. **Anderson**. Suppose a man does not want to buy a membership in the exchange. He is not precluded either by law or any regulations of the stockyards or the exchange from doing business in the stockyards without being a member of the exchange?

Mr. **Reese**. No, sir; he is not.

Mr. **Day**. Do you want me to answer that?

Mr. **Anderson**. Yes; I want an answer.

Mr. **Day**. You would naturally say he would be very foolish to pay the price for one of our memberships.

Mr. **Anderson**. No; I do not think he is, because the situation clearly demonstrates he is not.

Mr. **Day**. Then, your question is already answered.

Mr. **Anderson**. What I am trying to do is to ask a perfectly direct question and I would like to get a perfectly frank answer.

Mr. **Day**. We will give you one, if we can.

Mr. **Anderson**. If a man can trade on the stockyards without being a member of the exchange, what is the inducement to become a member of the exchange? Is the inducement the fact that while there is no law or no rule against his trading on the stockyards without a membership, as a matter of practice he can not do much business unless he is a member of the exchange?

Mr. **Day**. That is true, and will you let me say why? In the first place, his object is to get insurance, because the insurance companies have issued blanket policies over the big markets, insuring everything to members who are regular members there. They could not afford to take a man in they knew nothing about and insure his cattle at 10 cents a carload, where a load of stuff worth $2,000 or $3,000, unless there is a responsible organization back of that to say: "We will stand good for that man." He would have no insurance unless he went and insured outside, and that costs considerable money. In the second place, he would not have the free good will of the trade, and the opportunity to get customers and to trade. He will not be damaged in any way, but he would have a little better chance and good feeling.

Mr. **Anderson**. He just would not do much business?

Mr. **Day**. He would not have the good feeling that comes to a man who is helping make the market a success.

Mr. **Anderson**. Let us get your opinions one at a time. That is exactly the contention that has been made, that while there is no rule, no law, or anything else which prevents a man doing business in the stockyards, unless he is a member of the exchange, from the practical point of view, he can not do business without being a member of the exchange.

Mr. Day. Is it not also true, if I may ask you a question back, that that is true of all farmers' organizations and granges and bankers' association, that a man in the association has a better chance at business and gets along better and has the advantage of better feeling and better will than a man on the outside?

Mr. Anderson. I do not think the situation is at all analagous.

Mr. Day. I am just asking you.

Mr. Anderson. I do not think it is. I am not arguing. Is it to the advantage of the producer or the industry? I am trying to find out what the facts are.

Mr. Day. Let me state one other thing in connection with this.

Mr. Anderson. All right.

Mr. Day. You stated yesterday that you felt an outside commission should have charge of these rules. Let me say this on that: Our rules have controlled our members very well. We try to be on the square all the time, and we are at all times under the control of the civil laws of the land. To those laws we add such rules, as I stated to the Congressman from Kansas this morning, and code of business ethics that make men better business men and settle these matters quickly and expeditiously without running down to court to stop unfair and improper practices and bad business conduct in regard to trade, whether on the outside of our membership or on the inside of our membership.

Mr. Anderson. That is exactly what we hope to do by this legislation, to provide a plan whereby some of these alleged practices can be considered and proper remedies applied without going into court.

Mr. Day. Mr. Congressman, I believe that we men who have built this business up throughout the years—and it has stood the test of time and has produced results—can better do that than a commission on the outside can do it, because the question of our own staying in the business, our own permanency absolutely determines that we must hold our members in check and be on the square.

Mr. Anderson. I am glad to have the benefit of your opinion and your experience on that.

Mr. Reese. Along the lines Mr. Day has been speaking of, I can not say anything about Chicago, but I can speak about Kansas City, and I want to tell you that six or seven men who are trading in Kansas City have no memberships. When it comes to my membership, from a personal standpoint, and you say it would be hard for those men to get along if they have not a membership in the exchange, I can very briefly and reasonably state to you why I will not trade with an outsider.

Mr. Anderson. All right.

Mr. Reese. In the first place, when I buy this man's cattle I am not assured of the title to those cattle. Another thing is I am not protected by the insurance.

Mr. Anderson. You are talking about men selling cattle on commission?

Mr. Reese. No, sir; I am talking about traders, men who are trading in the Kansas City stockyards who are not members of the exchange. I am not protected in regard to the title to those cattle and I am not protected in the matter of insurance.

We have rules in our exchange that when a bunch of cattle go over the scales, if anything happens to those cattle, if they are crippled after they pass the scales, they belong to the man who has bought them. But if it happens before they go over the scales, they belong to the other man. Those questions do come up quite frequently in regard to settling the ownership of a cripple, or lump jaw or unmerchantable cow brute. In those situations I have no recourse against this fellow on the outside who is not a member of our exchange, but I do absolutely have recourse against the fellow who is on the inside and a member of our exchange; and that is the reason why I would not trade with the man on the outside.

Mr. **Anderson**. It seems to me the proposition resolves itself down to this question, and I think it is a fair question: It is admitted by everybody that you can not have the stockyards and have trading going on in these stockyards, either on commission or otherwise, without some rules governing the trading. What you are contending for is that this trading will be better governed and the relations of all concerned will be better conserved if that is left to the organization that is now in existence, the commission exchange, the live stock exchange, and the traders' exchange, than it would be though regulated by law or if the rules were approved by a governmental body. That is exactly what your contention is, is it not?

Mr. **Reese**. That is it.

Mr. **Anderson**. I think that raises a fair issue.

Mr. **Reese**. I can cite you a little case in behalf of our Kansas City traders, and it shows one reason why I feel that way; and I do not mean this in any degree to hurt Mr. Ray, who was put in there as supervisor of the Kansas City stockyards by the Bureau of Markets during war times. But at that time I was president of the traders' exchange, and he came down to me and said, "Reese, we are going to conserve on hay and we are going to conserve on feed. We have figured it out, and we are going to feed a pound of hay per hundred pounds of live cattle, and we want the cooperation of the people. In fact, we are going to make that a rule here." I said, "Mr. Ray, I have been in the cattle business since I was a little boy, and there is only one way that I ever knew how to feed cattle hay, and that is to give them all they want to eat. I do not see how we can maintain a business here along that line of limiting cattle to the amount of hay. It might be all right the first day, but if a man was forced to hold his cattle or got caught in a storm, I believe we would be run out of the yards by hungry, starved bawling cattle." That was along the line of inefficiency and it was not that he meant to hurt the business, but it was his lack of knowledge about this business.

Another thing that came up in connection with Mr. Ray, in regard to the conditions at the yards: He came to me one time and said, "I have decided I am going to divide these pens equally among every trader in the Kansas City stock yards." Now, I had put in a great many years in the Kansas City yards, and I started back at the north fence, handling a few cattle, and I worked on up until I am in a pretty good location, and I did it by hard work, taking my turn at the back fence, and now I am up in the middle of the division, and I could not see that that was fair to take my location and divide it up. It looked a good deal like a socialistic idea to me. That is what I am here complaining about.

The CHAIRMAN. It is now 1 o'clock. We will not be able to finish with you for some time, therefore the committee will take a recess until 2.30 this afternoon.

(Thereupon, at 12.55 o'clock p. m. the committee took a recess until 2.30 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to recess at 2.30 o'clock p. m.

The CHAIRMAN. Mr. Day, you may proceed.

STATEMENT OF MR. CHARLES E. DAY, OF CHICAGO, ILL.—Resumed.

Mr. ANDERSON. Mr. Day, I do not think you quite finished your answer to one question that I asked you, at least I am not clear on it. You were explaining how you arrived at the value of a membership in your exchange.

I understand you to say that a membership is worth $2,100, we will say, on the outside. If I wanted to buy a membership from a man who is a member, I understand, I could buy it for $2,100.

Mr. DAY. You could buy it for $2,100 in recent weeks. A few months ago you could have bought one for considerably less than that, but the market has been going up on them on account of the demand.

Mr. ANDERSON. In addition the exchange itself may sell me a membership?

Mr. DAY. Yes, sir.

Mr. ANDERSON. How does the exchange arrive at the value of a membership that it can sell to me?

Mr. DAY. I can not answer that, except just to say, Mr. Congressman, that the price of the membership sold by the exchange is established in our exchange by a vote of the membership as to what the secretary shall be instructed to sell a new membership at; and in arriving at that we guess it off as about what we think that membership ought to bring; and the basis, I suppose, and the way we figure the price we will sell anybody a membership from the exchange at, is in line with what they are selling for in the open market, and ordinarily it is fixed at a higher price, of course, than they are selling at in the open market or else there would be no need to fix it that way.

Mr. ANDERSON. I do not just get the logic of that last statement.

Mr. DAY. The logic of that statement is this——

Mr. ANDERSON. Unless the purpose of this whole thing is to limit the membership.

Mr. DAY. No; it is not to limit the membership. The membership is unlimited.

Mr. ANDERSON. Of course, if the purpose is to limit the membership, then the higher price that is fixed the more you limit it.

Mr. DAY. No; we will sell an unlimited number, but we feel like this: That if the memberships being sold by the men who are members of our organization can sell for $2,100 or $2,200, and they are actually worth that because the men are getting that, then we do not want our exchange to be willing and ready to issue an indefinite number of memberships to all who may want to belong for less than the memberships are actually bringing; in other words, to break down our own market. Does that make it clear?

Mr. ANDERSON. That situation is clear; yes.

Mr. DAY. That is all I can tell you on it. As I explained this morning, we never yet have sold a membership out of the exchange since we originally issued these memberships, because at that time (we have always felt since—some of us at least have felt that way) that we perhaps issued too many memberships. We issued between five and six hundred.

Mr. BULLA. Mr. Anderson, if you have the idea that if they put a high value on them to prevent the men from joining, you certainly have the wrong idea; that is, if you have any such idea.

Mr. DAY. The memberships are a little over 500, and that proved to be a little bit more than was really needed.

Mr. ANDERSON. I am not so much interested in the purpose you had in mind as I am in the effect. You say you had 500 memberships when you originally organized?

Mr. DAY. Yes; and that is about the same that we have now.

Mr. ANDERSON. When was that?

Mr. MOONEY. Eleven or twelve years ago.

Mr. ANDERSON. And since then there has been no increase in the membership?

Mr. DAY. In the number of memberships?

Mr. ANDERSON. Yes.

Mr. DAY. No; we have not issued any new memberships out of the exchange. We issued a plenty at that time to take care of all that needed them, and in fact we issued a little too many. They got into the hands of men who were not desirable traders. In late years the volume of business has been growing, especially since the war, and more of our kinds of cattle have been arriving in Chicago which the traders can handle—and hogs also, I will say—so that there has been a better demand for the memberships, and every one has been in use, and the fact that they have all been in use has raised the value of the memberships in open sales.

Mr. ANDERSON. It seemed rather strange to me that in view of the very considerable growth that has taken place in the Chicago market in the last 10 or 12 years, there should have been no increase in the memberships.

Mr. DAY. Yes; I have explained that. At the time they opened this exchange it was a new thing with us and an experiment, and there were a large number of well-posted young men who did not even see fit to buy a membership at $10, and did not, and since then have had to buy them at a great deal more, if they got one, while a large number of other men, even commission men and shippers and men who were not really traders, men who were working on salaries for other people, thinking it would be a good investment for $10, just bought one, and in that way we got much more than we really needed until late years, when the business has grown and has become equal to this number. Now I notice that the number has been slightly reduced, in fact, in these later years, and that is because we redeem memberships at death, and when a membership is redeemed at death, I believe it is retired, is it not, Mr. Mooney?

Mr. MOONEY. We have not redeemed any now for a long while.

Mr. DAY. No; because they have been selling at more than we redeem them for. What do we redeem them at death for?

Mr. MOONEY. $500.

Mr. DAY. Is that all? I beg your pardon; is it not $1,000? When the memberships were raised the last time, was not the death redemption value raised to $1,000?

Mr. MOONEY. That is right.

Mr. DAY. I am not very well posted on the laws of the exchange, because I have only been on the board of directors for one year. Mr. Mooney and others have been on the board for many years.

Mr. ANDERSON. Whenever you want to issue a new membership, you do that by a vote of the exchange?

Mr. DAY. No, sir; by a vote of the board of directors.

Mr. ANDERSON. By a vote of the board of directors?

Mr. DAY. When the application comes in and he asks for admission and puts up his $100 for the transfer fee.

Mr. ANDERSON. Does one have an option as to whether he will buy a membership on the open market or ask for an additional membership from the exchange?

Mr. DAY. He can do either one he desires.

Mr. ANDERSON. And there will be no inclination on the part of the exchange to refuse him, if he is willing to pay what approximates the market price and somewhat in excess of that?

Mr. DAY. No, indeed; there is not; in fact, we are glad and anxious to sell memberships.

Mr. ANDERSON. Let me ask you this question: Is there any rule or understanding which prohibits a member of the live-stock exchange, a commission man who is a member of the live-stock exchange, from being a member of the traders exchange?

Mr. DAY. I think I will ask Mr. Mooney to answer that.

Mr. MOONEY. I did not hear that question.

Mr. ANDERSON. I am asking whether a man can be a member of both exchanges, the commission exchange and the traders exchange.

Mr. MOONEY. There is no rule in our exhange on the books and by-laws prohibiting that, but for a number of years we have refused to accept applicants that were in the commission business. We wanted simply traders alone.

Mr. DAY. Traders and eastern shippers, generally called order buyers.

Mr. BULLA. He can not be both. He can not be a member of our exchange. I do not know that it is wrong but it is not considered good business.

Mr. ANDERSON. As a matter of fact then there are no members of the Omaha Live Stock Exchange who are also members of the Traders Exchange?

Mr. BULLA. Not one, nor can there be according to the rule of the Traders Exchange. I can belong to both as a trader. I can join the live-stock exchange.

Mr. ANDERSON. That is what I am asking you.

Mr. BULLA. No; you asked if a commission man could join the Traders Exchange.

Mr. ANDERSON. No; I asked you if a man could be a member of both exchanges.

Mr. BULLA. The question was if a member of the live-stock exchange could join the traders exchange.

Mr. ANDERSON. That is what I asked you first.

Mr. BULLA. They can not.

Mr. ANDERSON. Then I asked you if a man could be a member of both exchanges.

Mr. BULLA. Yes.

Mr. DAY. Yes; if he is a trader.

Mr. BULLA. I am a member of both exchanges. I was trying to show the difference between the two. I can be a trader and join the live-stock exchange, which I have done, but he—commission man—can not join the traders exchange. No one can join the traders exchange unless he is an active trader or has declared himself to be a trader in the yards.

Mr. ANDERSON. That is a peculiar situation, it seems to me.

Mr. DAY. It is because the traders' rules refuse that permission to the commission man while the commission man's exchange is willing to take a trader in, even though he is a trader and not a commission man.

Mr. ANDERSON. You get the same result; the only thing is a man has to become a trader first.

Mr. DAY. Pardon me. No; you do not get the same result.

Mr. BULLA. I can explain why there is a difference. Originally and up until now, to get clearances through the commission men for the stuff I buy, it was a requirement that some one member of our firm should belong to the live-stock exchange. We put up no bond for all the stuff I buy and we are not required to do anything except to be a member of the exchange.

Mr. ANDERSON. That is what I am talking about.

Mr. BULLA. I am talking about the live-stock exchange now. I am trying to explain why I belong to it. It was necessary in our yards to belong to the exchange to avoid giving a bond. If we drew out of the live-stock exchange, then we would have to give a bond for the delivery of stock that we buy. Now I can buy all the stock that any firm has in the yards and they will deliver that without any pay or order or anything. The fact that I am a member of the live-stock exchange, according to their rules, turns that stuff over to me right then and there. There is no occasion or excuse or reason why anybody should want to join the traders' exchange unless he was a trader, and I know of none with one single exception of a man who wanted to belong to the traders' exchange, and he did not join. There was just one single case. I wanted to join the live-stock exchange for the purpose of avoiding the bond, and my membership takes care of that situation. My membership makes me eligible to buy everything I want to buy and have it turned over to me.

Mr. ANDERSON. It also makes you eligible to act as a commission man, does it not?

Mr. BULLA. Yes, sir; but I could not be in both.

Mr. ANDERSON. If you wanted to, you could perform both the functions of seller and buyer?

Mr. BULLA. No, sir; I could not.

Mr. ANDERSON. So far as the exchanges are concerned?

Mr. TOMLINSON. Has your exchange ever considered any case where a commission man was doing anything that might be what you consider inimical to the interests of the traders to such an extent that you decided not to trade with them?

Mr. DAY. Not to my knowledge.

Mr. TOMLINSON. You do not recall any instance of that kind on the Chicago market?

Mr. DAY. Where the exchange had the matter in hand, you mean?

Mr. TOMLINSON. Well, where the exchange or the leading members of the exchange took it up and decided that it did not want to trade with one commission firm.

Mr. DAY. I do not know of any such case, no.

Mr. TOMLINSON. Have you ever heard it intimated that there was such a case?

Mr. DAY. Yes, there have been firms we would not buy live stock of ourselves.

Mr. TOMLINSON. What was the reason you would not buy live stock of them?

Mr. DAY. Ordinarily the reason was they would not buy live stock of us, and sometimes because of various reasons that we would have falling outs. They would not treat us fair in their trades. They would overprice and then sell them to the other fellow and we would have little fusses and such like. Those things happen in all lines of business, I guess.

Mr. TOMLINSON. If a commission firm on the Chicago market should make a regular practice of selling feeders direct to the countryman that might provoke a little opposition on the part of the traders, would it not?

Mr. DAY. I would say yes, but not to the extent that they would refrain from buying them. I covered all that this morning; that in one particular case, which I did not mention this morning, and I will add this to the record, I know of one commission firm that persistently and continuously this whole season sold their stockers and feeders to country buyers and particularly to men with whom they did business—their own customers. We were naturally provoked about the matter but we went right ahead and bought their cattle every day, just the same, all that we could.

Mr. TOMLINSON. I gather from what you say that the method of discipline in these commission firms by boycott or otherwise is not enforced as much in Chicago as it is at some of the other markets; do you think that is true?

Mr. DAY. I do not know because I have never done business on any other market except in Kansas City and I did not see any of it done there at that time, and I have not heard of any since.

Mr. TOMLINSON. Did not your firm start to do business in Kansas City a year or two ago?

Mr. DAY. It has been four or five years ago.

Mr. TOMLINSON. Four or five years ago?

Mr. DAY. Yes.

Mr. TOMLINSON. And for some reason or other they decided they did not like the game down there and retired; what was it?

Mr. DAY. That is the reason a man always retires, is it not—that he does not like it?

Mr. **Tomlinson**. What were the influences that prompted you to retire from Kansas City market? What did the exchange do to you down there?

Mr. **Day**. The exchange did not do anything to us down there. The reason we retired from the Kansas City market was strictly a private reason that I do not believe has any place at all in this record. There is no secret about it at all. It was a matter of Mr. Lawler's own business judgment in the matter in connection with the gentleman who had charge of his business there. I do not think it needs any place in a public record at all.

Mr. **Tomlinson**. I do not want to take the attitude of insisting on the question.

Mr. **Day**. It was a private matter and it had no connection with the exchange or the Kansas City market. We were treated very kindly. We liked the market and we liked the people and we did a large volume of business there.

Mr. **Tomlinson**. The reasons have been variously reported and I was anxious to get the straight of it and I knew that I could get it from you, but I will not press the question, of course.

Mr. **Day**. That is the straight of it. The gentleman who was in charge of the business at Kansas City was not in very good health at that market and desired very much to return to Chicago, and that was the reason, strictly a private reason. That is the only reason we left there.

Mr. **Bulla**. Mr. Chairman, for fear you might think that $2,100 or $2,200 is too large an amount for a membership, I would like to say that that does not mean that that is a loss.

Mr. **Rainey**. Mr. Bulla, suppose you take that up when you go on the stand.

Mr. **Bulla**. I did not know that I was going to testify.

Mr. **Day**. You are through with me, Mr. Anderson?

Mr. **Anderson**. Yes; I think so.

STATEMENT OF MR. J. H. BULLA, OF OMAHA, NEBR.

Mr. **Rainey**. Mr. Bulla, give your name, address, and business.

Mr. **Bulla**. J. H. Bulla, Omaha, Nebr.

Mr. **Rainey**. Now, Mr. Bulla, you may proceed.

Mr. **Bulla**. The first question that arose here this morning was in regard to the transaction by which an outsider had no recourse in case of a dispute or about a discount or a change of cattle. I want to state that the Live Stock Traders' Exchange takes more pains, does more work, and issues more rules to protect the outsider buyer than they ever did to protect the members of the exchange. That crime would be punished severely up to possibly a confiscation of his membership, if that transaction was true, and I will guarantee he would have been fined sufficiently. The rules of the Traders Exchange, I may say again, protect the outsider, and prohibit any crookedness, any misrepresentations, any sharp practices, in any way whatever, all the time.

Mr. **Anderson**. You do not object to questions here and there, do you, or do you want to go ahead and first make a general statement.

Mr. BULLA. I do not particularly care. If there is anything I can explain about the exchange that will be of any benefit to you I will be very glad to do so. I do not care about any general statement.

Mr. ANDERSON. If you care to make a general statement first I will refrain from questioning you until after you have concluded.

Mr. BULLA. Well, take the membership question first. That is one other point I want to bring up. It is worth $2,100 because the member can sell it next week or next month or next year for that amount. It establishes credit at the bank and he can go and borrow money on that membership. He can take that membership and that will give him credit to do a small amount of business; and there is not a man who comes there to our market, and I expect it applies to others also, who wants to trade, and has talked to me personally, that I did not encourage and help in every way I could to become a member and get a membership. I do not believe there is 10 per cent of the stock men of the country who are not benefited by the traders exchange, and I think the percentage would go along about the same of those who are satisfied and glad we are in existence. It is a place where deals are made so quick and there are so many of them and they are so important that the assurance that everything is right and that everybody gets what they buy and that the price is understood and there is no change or anything of that sort, that it makes them feel that they have got somebody to protect them and somebody who is fair to them and somebody who is a friend to them, and we bank a lot on our reputation. We bank a lot on our character and our reputation in the business.

Mr. ANDERSON. You spoke about rules of the exchange for the conduct of the members. You have found that in as complex a business as takes place in stock yards in the sale of cattle, it is necessary that there should be some rules by which this business should be carried on.

Mr. BULLA. Yes, sir.

Mr. ANDERSON. And that opinion is based upon long experience?

Mr. BULLA. Yes, sir.

Mr. ANDERSON. One of the purposes of those rules, I take it, is to make it absolutely certain just what the duty of a trader is and what his rights are and what the duty of the commission man is and what his rights are in the stock yards; am I correct about that?

Mr. BULLA. Yes, sir.

Mr. ANDERSON. Well, one of the complaints that has been made about these bills is that it gives somebody the right to make rules and regulations. If those rules were made in such a way as to define just what was lawful and what was not lawful, and if they bore a reasonable relation to the methods of doing business, that ought not to do anybody any harm.

Mr. BULLA. The rules we would make ourselves would not do any harm. They would do good, but I can not conceive of the idea of men who know less as likely to understand our conditions and situations and prescribe rules for us like we would for ourselves, because our whole life and our whole business depends on how we are regulated and controlled, and I certainly think we would not control it injuriously to ourselves or to our patrons, because if we do either one, we are lost.

Mr. ANDERSON. Suppose a dispute arises between, we will say, a member of the traders' exchange and a member of the live-stock exchange with respect to certain transactions; how is that determined?

Mr. BULLA. By the board of directors. Charges are preferred or taken to the board of directors.

Mr. ANDERSON. Which board of directors?

Mr. BULLA. Both; it depends on which one it comes to. If it is a trader, the live-stock exchange may take it to the board of directors of the traders. If it was a purchase of the commission man in the morning and there was a dispute over the price or anything, the board of directors of the live-stock exchange takes it up.

Mr. ANDERSON. Then it may go to either one?

Mr. BULLA. Yes, sir; it belongs to the one, according to the way the charge is preferred.

Mr. ANDERSON. That is to say, it is handled by the exchange whose member is charged with the misconduct?

Mr. BULLA. Yes, sir; there is an appeal board and the board of directors.

Mr. ANDERSON. That is all I wanted to ask.

Mr. RAINEY. Is there any other statement you desire to make?

Mr. BULLA. I do not know. Things have been said, I think, covering almost everything. I do not know of any others. The question of sorting cattle was rather a tangled question with the gentlemen here, but it is plain to us. It is plain to us that every man who is outside gets an equal show with the man on the inside. It seems that information has got to some people here, in some way, that that was not so. The commission man is the agent for this gentleman, and I may say without exception, that you can just bank that he will do the very best he can for that sale, because his business depends on it. He will assort them, sell to whom and when and where and how he can and weigh them when and where he can. I have lots of faith in them. The competition between us and the packers and the competition between us and the commission men is just as strict and as far from being interlocked as any man in this building could ask at all times and at all places.

Mr. DAY. May I ask one question to bring out one point? Do your exchange rules provide severe penalties for anyone offering a bribe to a buyer of cattle or a salesman of cattle?

Mr. BULLA. We have a standing bid of $500 to the man who will furnish the evidence and a fine of $1,000. That is the man we called a "plugger" at one time, and was a very objectionable man in the yards. If anyone can come forward with the proof, we will give him $500 and impose a fine of $1,000. We have never found one yet, but there is a committee watching that.

Mr. DAY. We have a similar law in Chicago. I think it is $500 for either one, for the man caught guilty of that kind of conduct and $500 for the man furnishing the evidence.

Mr. BULLA. That is what we call a "plugger" in our parlance. You go in the yards to-morrow morning to buy a load of cattle and one of these fellows who belongs to nobody and to no exchange and is working for nobody and is employed by nobody, he would talk to you and he is a good talker and is a good visitor, and he works sometimes to make a success in buying you a load or getting a load of cattle bought for you, and it was a very objectionable thing. It was very much of an annoyance to you because you found out the next day what he was and you did not like it. Now, the exchange rules prohibit that entirely.

Mr. DAY. Have you driven them out of your market?

Mr. BULLA. Entirely.

Mr. DAY. We have also driven them all out of the Chicago market.

The CHAIRMAN. Mr. Bulla, did you understand me to question the integrity or the motives of the commission men?

Mr. BULLA. No; I never thought of that.

The CHAIRMAN. I have the highest regard for them. I believe they are very high-class people.

Mr. BULLA. I have a high regard for them also. They are human. I suppose, and there can be a bad one among them.

The CHAIRMAN. And I have no quarrel with the trader.

Mr. BULLA. Gentlemen, if you knew the traders and what the traders do——

The CHAIRMAN (interposing). This practice has been pointed out and I wanted to know what there was to it. My experience is different entirely from what has been indicated.

Mr. BULLA. If there is anyone who knows all the dealings and transactions of the traders, if he does know about them, there is not a man in this building or outside in the whole country who does not say we are a benefit as things are. Now, you may say that we are a bunch of parasites or middlemen; all right, I agree with you, and if you will provide some way to do away with me entirely, all right.

The CHAIRMAN. Nobody has been intimating that.

Mr. BULLA. I say that if you have some way of doing that, but you have a load of cattle and I buy them, and you say that I bought them awful low, and then I sell them to Mr. Anderson and he thinks I sold them awful high if I only make a nickel or a dime. If there is any better way to buy cattle from you, then provide it, but I do not see any other way to have this big transaction and this big handling of stock that the commission men handle carried on. You can not get away from these things. The commission man must handle the cattle and send back the returns to you immediately that you must have. You are a producer or raiser and you want your account of sales the next day.

I will take those cattle and hold them until I sell them. I have a pen for that purpose. Your commission man has certain pens for the live stock that comes in to-day and he likes to clean up everything to-day because to-morrow he has another bunch coming in. I will take them and throw them all in together and you will then buy out, and that is what I mean by sorting. He does sort and classify. For instance, I will not buy heifers and I do not buy calves.

The CHAIRMAN. You are a trader?

Mr. BULLA. Yes, sir.

The CHAIRMAN. Is it not fair to assume that you prefer to do business with a regular commission man, one with whom you have been in the habit of doing business?

Mr. BULLA. As a trader, have I a preference?

The CHAIRMAN. Yes.

Mr. BULLA. Oh, no; I might like one acquaintance of mine a little better than the other.

The CHAIRMAN. I am speaking of the general run of business.

Mr. BULLA. No, sir; we go all over the yards and we scour the yards and go to every firm—I will not say every firm, because sometimes we do not get to all of them. Mr. Day has explained that. There may be a firm that you do not like or that does not like you for some personal reason.

The CHAIRMAN. Is it not a fact that a commission man might favor a trader who was dealing with him all the time?

Mr. BULLA. Well, there is a stable trade about a trader.

The CHAIRMAN. Now, of course, I do not mean to find any fault with that, but there is a limit to that.

Mr. BULLA. Well, I will answer that in this way: If the countryman came in and bought the cattle as quick and as high and as rapidly as we do, I think they would rather sell to the countryman than to us, and I would not blame them. The countryman is their customer while I am not. I am a patron but I admire them for taking care of their trade, and they would prefer it, but that can not be done.

The CHAIRMAN. I think every merchant will accommodate and do a little better by a regular cash customer or one who has been doing business with him on an extensive scale for a long time. I think that is the general run of business. I have no complaint against that.

Mr. BULLA. I have no preference unless I do not like one of his men because they possibly might hurt my feelings or something of that kind; otherwise I go and buy the cattle where I can buy them the cheapest. I travel the yards very much and I go possibly to some firms oftener than to others. Some I might rather buy from than others because I just had a quarrel with them or something of that kind, and there may be some men I would not buy from for several months, and I do not buy so many cattle.

The CHAIRMAN. As a general thing, a country shipper does not change his commission man. He starts in with a commission man and deals with him just like he does with a bank.

Mr. BULLA. They change frequently. I am not in the commission business, but I know they change frequently.

The CHAIRMAN. I had reference to the general practice. If there was a monopoly of the stockyards and the outsider did not have any opportunity to buy, that would be different, but you have denied that statement.

Mr. BULLA. I positively deny that. There is not an ounce of truth in it so far as I know.

Mr. DAY. Might I add one thing to that? I wanted to do that this morning but we were busy then and I did not. You asked particularly why the commission man does not sell to the country buyer who comes along as freely as he sells to the yard trader. I just want to suggest to your mind that the man who walks up ordinarily is a stranger to him and he does not know whether he will be able to pay for the stock or not, in the first place; and in the second place, that man gets in the pens, as we have learned by long experience, and may stay two or three hours talking about the trade, and in the meantime the market is getting by and this man must get action. He has maybe 20 or 30 or 100 cars to sell. He can not spend three hours visiting with that man and perhaps at the finish have the man bid less than any trader would bid that quick, as soon as he goes into the pen, and gives the cattle two turns around and he is out. You can readily see where the commission man, all prices being even, would rather sell to the man who is a cash buyer and who would pay for the stock and will trade and get away or give him a chance to show to a competitor in case he could not take the price this man saw fit to offer him. Those are the main reasons, but if he knew this countryman, and I have known this to happen many times, and if he knew he was a feeder buyer and had the money to pay and would probably give the market for the stock, he would just as leave, and many times does, sell to that outsider. I just wanted to clear that up.

The CHAIRMAN. You agreed with me absolutely on my first proposition; now let us see if we can agree on this proposition: If both the traders and the commission men monopolized the market to the disadvantage of the others, would you think that would be fair?

Mr. DAY. No; they do not.

The CHAIRMAN. I say if they did.

Mr. DAY. If they did, it would not be fair; but the fact is they do not.

The CHAIRMAN. Then we agree.

Mr. BULLA. For instance, you ship your cattle in from Cheyenne County to Omaha and your neighbor may come in on that market and buy them. Now, that seems queer, but if he had gone over to your house to buy them he probably would not have done it. That happens frequently, and it is just one of these strange things that does happen. You get the price of your cattle on the market and you are satisfied.

The CHAIRMAN. That is perfectly legitimate and is a privilege that should be given; but I do not want to give an absolute monopoly.

Mr. BULLA. You could not give it, and we would not accept it, and it would not exist and does not exist. If you would ship the cattle to your neighbor, you would avoid paying me the profit that I have got to have or I am out of business. If you will give me a profit of a nickel or a dime on every transaction, I think there would not be any charge over that; but that is a thing which is impossible, because one shipment might bring a profit and the other might bring a loss.

The CHAIRMAN. Sometimes the profit may be a nickel, sometimes more and sometimes less.

Mr. BULLA. Yes, sir; it is very different. The commission man may ask us a dollar more than the stuff will bring and we may ask that much sometimes, but not usually.

Mr. TOMLINSON. Mr. Bulla, do the members of your traders exchange at Omaha trade with all the commission firms on that market?

Mr. BULLA. Well, not all of them do.

Mr. TOMLINSON. Do your members trade with the Farmers' Union?

Mr. BULLA. Some do and some do not.

Mr. TOMLINSON. Has the exchange ever taken any action on that?

Mr. BULLA. Not that I know of. Our traders exchange has taken no action. I very seldom attend the live-stock exchange meetings. I care very little about their rules and regulations except as they relate to us, because my line of business is as a trader and I only belong to that organization in order to clear my stuff.

Mr. **Tomlinson**. You say that some trade with the Farmers' Cooperative Co. and some do not?

Mr. **Bulla**. I say that I do not know that they all do not. I heard one individual say that he would not. He had a fuss with one of them. I do not know how many or what proportion or whether any do or not.

Mr. **Tomlinson**. Is it not a fact that a great majority of the traders absolutely decline to trade with them?

Mr. **Bulla**. I could not answer that question.

Mr. **Tomlinson**. And as a result the Farmers' Union Co. does not handle very many feeder cattle.

Mr. **Bulla**. I could not answer that very correctly.

Mr. **Tomlinson**. Is there anybody here from Omaha who could answer it any better than you could?

Mr. **Bulla**. Well, there is Mr. Day here and he might know—no; there is no one else here from Omaha.

Mr. **Day**. There is no other Omaha man here?

Mr. **Bulla**. I have understood the Farmers' Union sell more hogs than any firm in the yards, but that is hearsay. I do not keep track of that.

Mr. **Tomlinson**. They are really one of the large firms in hogs but are comparatively negligible in cattle because the traders will not deal with them. Is not that about the fact of the matter?

Mr. **Bulla**. I do not think so, but I do not know that is a fact or that it is not the fact.

Mr. **Tomlinson**. Will any of the commission firms trade with the Farmers' Cooperative Commission Co.?

Mr. **Bulla**. I could not answer that question.

Mr. **Tomlinson**. Well, you know all about these exchanges. You are pretty confident about it in your own mind that they will not, are you not?

Mr. **Bulla**. Well, I do not believe I will answer that because I do not know.

Mr. **Tomlinson**. All right.

Mr. **Bulla**. It might lead to asking you the question as to whether the Farmers' Union would trade with them, and I do not know whether they do or not.

Mr. **Anderson**. Mr. Bulla, there is a rather curious incident here that I want to call to your attention and see if you can offer any explanation of it. I have a copy of the Omaha Daily News for Tuesday, March 16, and there is a little item down here in the corner which says:

> $5 RANGE IN HOG PRICES—4,000 HOGS UNSOLD.
>
> Omaha's live-stock market to-day was the most unusual recorded in many months. More than 4,000 hogs were unsold at the close. Receipts were only 15,500 with the bulk of sales at $12 and $14, the top price at $14.90 and heavy rough hogs only $10.

Now, I happened to look over in the inside of this paper and I found that on this same day the Skinner Packing Co., which I understand is an independent company, began operations in Omaha, and I wondered if there was any connection between those two news items.

Mr. **Bulla**. I would not think so, but that is a packer proposition. I could not give you any information on that, however hard I might try.

Mr. **Anderson**. Can you give any information as to the condition of the market on that day?

Mr. **Bulla**. Oh, none whatever, my friend. I would like to, but I could not. I can not keep track of the variations in prices from the packers' standpoint. I judge they have good and sufficient reasons for buying high and low, but I do not know. I heard of that sale the day I left; that there was one lot of heavy hogs that sold for 10 cents, which created some talk. Why, I could not answer. Maybe that is all they were worth; it may have been due to the weight of the hogs or to other conditions. It created some talk because there was that much variation in the price of hogs.

Mr. **Anderson**. That $5 spread is rather unusual, is it not?

Mr. **Bulla**. Yes, sir; it is unusual.

Mr. **McLaughlin** of Nebraska. Mr. Bulla, as a trader, of course, you have dealings with the stockyards company in Omaha?

Mr. **Bulla**. We buy some things of them and that is about the extent of our dealings.

Mr. **McLaughlin** of Nebraska. Any stock that you have in the yards you have to feed and care for just the same as anybody else, do you not?

Mr. **Bulla**. Yes, sir; they furnish the hay and feed and they furnish it at the same price and they feed it or put it in the pens or in our mangers.

Mr. **McLaughlin** of Nebraska. Are the terms given to you the same as to producers who bring cattle on the yards?

Mr. **Bulla**. The price of hay?

Mr. **McLaughlin** of Nebraska. Is the price the same?

Mr. **Bulla**. Yes, sir.

Mr. **McLaughlin** of Nebraska. Has it always been satisfactory?

Mr. **Bulla**. With us?

Mr. **McLaughlin** of Nebraska. Yes.

Mr. **Bulla**. We would fuss at times when it was unsatisfactory, but they thought it was different. We sometimes think the hay is too much.

Mr. **McLaughlin** of Nebraska. I have here a letter from the Secretary of Agriculture to the Senate in answer to Senate resolution 226 asking the department for information as to the stockyards companies which, under the act licensing stockyards, had been charged with the practice of charging extortionate prices for grain and hay, and the Secretary, in his letter, calls attention to 28 firms that have been charged with extortionate practices. I will read one paragraph here on page 4. It says:

> In addition to the foregoing, an examination of the books of several of the stockyards under license was also made by the department. Such examination showed that the Fort Worth Stockyards Co., located at Fort Worth, Tex., and the Union Stockyards Co., located at Omaha, Nebr., had an average or surplusage in the feed accounts kept with the patrons.

And I find among the list of these 28 companies the last one named is the Union Stockyards Co., of Omaha, and "licensee cited to administrative hearing which was held in Omaha on January 9, 1920; case not yet disposed of."

Then, in the hearings before the Senate Committee on Agriculture and Forestry, part 1, under date of January 13, 1919, on page 91 of that record, I find figures taken from the books of the Omaha

Stockyards Co., as furnished to the State railway commission, figures which have not been questioned and which show that in 1914 the profit of the stockyards company on the grain and hay sold was 53.2 per cent. That is on gross sales. In 1915, it was 70.7 per cent; in 1916, 97.5 per cent. Now, I wondered whether, as a trader, you regarded that as fair and legitimate profit on the benefits they give the producer who brings his cattle to the yards.

Mr. BULLA. Well, it is a pretty hard matter for me to tell. I sometimes think they ought to lower the price of hay, and I think there are a good many things they ought to do, but it is hard to tell what we ought to pay. They bring you a bale of hay when you please and where you please with an expensive team and with three pretty good men. How they charge or what that would cost them, I do not know. When you hear what they buy hay for and what I pay for it, it sounds big, but the service and the immediate service, which sometimes we do not always get, but generally speaking, we do, is something I do not know the cost of. We fight with them and fuss with them about that sometimes.

Mr. DAY. Do you also think, Mr. Bulla, that the profit on their hay has to account for the cleaning of their pens, the water they furnish, and also the pens they furnish. You do not pay any rent for them.

Mr. BULLA. I do not want to answer questions for the stockyards, and even if I would like to I do not know how. We get our pens free. I have got so many pens there, I think 24, and they clean them and they bring hay to my pens and feed it for me. They furnish my water free and fix and repair the gates, and I do not know how they charge that up or what they charge it to.

Mr. MCLAUGHLIN of Nebraska. This percentage which I read is that much profit on the gross sales of their feed. So far as any other expense that you might name is concerned, that is taken care of in the yardage charge of 25 cents a head, which in 1915 amounted to $646,641.81, and the amount that this service actually cost them was $379,239.98, and the balance of that, which is nearly one-half, was profit, so that in this percentage of profit here on the gross sales, as shown by their own books, there can not be any part of that for service or overhead or anything else, because that other expense is taken care of in the extra charges.

Mr. DAY. What stockyards is that?

Mr. MCLAUGHLIN of Nebraska. This is the Omaha Stockyards.

Mr. DAY. I was asking for information, because I was interested to know which one it was.

Mr. MCLAUGHLIN of Nebraska. And in this case that is now being adjudicated, in the decision that has been given, I have learned of charges that there was not only overcharge, but that there was short weight, and that grain was bought by weight and sold by measure, and that they would scoop it up and only fill a part of the measure, and that where, for example, 100 bushels of grain had been bought, 120 bushels had been sold. It had either been sold over or else short measured or short weighed. Now, if these figures are correct, and they are their own figures, it looks as though something ought to be done there, do you not think so?

Mr. BULLA. I would hate to think I was being short weighted in hay, yes, sir. I would not stand it if I could help it. I do not say I am, and I do not know that I am. We have a squall with them every now and then. We have a committee appointed on the stockyards company now and then for things of that sort; for better pens, better repaired pens, but we manage to settle them all, and I would much prefer to try to settle those little difficulties in our own family before we annoyed Congress with them, because they have bigger questions to solve, I think. When we can not I am glad then to have a place to resort to; but I think most of those things can be thrashed out and should be thrashed out. We have a bureau of markets, and I hate to say an unkind word and I will not say an unkind word about the expense they go to to enlighten us. We are trying to conserve things. and we are trying to hold things down.

I get three or four or five sheets a day, bigger than the biggest piece of paper on this desk here, of market reports. Now, the Bureau of Markets is trying to enlighten me, they are trying to furnish me lots of figures and lots of data, and every firm in the building gets it every morning. A real good looking lady brings it in three or four times a day and brings it to our desk. That is very pleasant, of course, but the report is positively worth nothing—nothing whatever.

It is certainly an expense to lay it there, because there is a great volume of figures and it has taken lots of time to get them. I know Mr. Hall well; I met him in Kansas City, and he asked me to write him a letter on that subject. The intention is there to keep us enlightened. I told him that if that same document could be got to the man in the country who does not get the reports that we do and could be got to him in time he would profit by it. And frequently in mailing an account of sales where I sell a load of cattle I wrap that up and put it in.

But it is positively worthless to us. I do not think there is one single firm in any building in any market that it is worth a penny to in a year.

Mr. Anderson. Will you tell us how you get your market information?

Mr. Bulla. Most of our markets are put on the blackboard in the morning by the secretary of the live stock exchange. Really there is not a whole lot to it. Others go a lot by the market, but I buy a lot of cattle to-day and if I do not sell many I do not buy many to-morrow. What Chicago does does not bother us much. Some people go by the market, and in some lines this might be essential. but we do not pay so much attention to it.

Mr. Anderson. How do you know what to bid. There must be some basis, I suppose?

Mr. Bulla. Well, it does not take you but a little while in the morning to get posted riding around in the yards. It is according to the receipts you get. You do the best you can, and govern yourself accordingly. I govern myself by the number I have in the pens I carried over the night before. I take my time up to noon, and by that time everything is cleaned up except in the big lots.

Mr. Anderson. Do you think, Mr. Bulla, it is the general opinion of the commission men, and the traders that the market reports gotten out by the Bureau of Markets are valueless?

Mr. Bulla. I am speaking in regard to that sheet now, Mr. Anderson. I do know what other reports are put out; I am speaking about the sheet that is put on our desk. I have taken it up with our traders. I am sorry that money could not be expended in a way that it could do more good than that. It is not worth a particle to anyone that I ever knew or spoke to about it. That must be a big item in the whole country. I do not know what other reports they get out, but I am speaking about the sheet that is laid on our desks two or three times a day.

The CHAIRMAN. How does the price indicated on the sheet compare with the one put on the blackboard?

Mr. BULLA. Oh, I never look at it. It gives the markets of other places, the eastern markets, and so on, various markets all over the United States.

The CHAIRMAN. About what time are they delivered?

Mr. BULLA. One or two are delivered in the morning, and I think one or two later.

The CHAIRMAN. About what time in the morning?

Mr. BULLA. Well, it would be about 9 or 10, or I would not know. I tell you, Mr. Chairman, the minute we get them—not out of any disrespect, but because it is of so little importance—I throw them in the waste basket.

The CHAIRMAN. Of course this is aside from the question that is under consideration here. But after all, considerable money has been appropriated for that purpose, and this committee has jurisdiction over the matter, and we would like to have information as to what value this report has.

Mr. BULLA. To me, none whatever. And I do not think to a single trader. I would not answer for the commission men; there may be some use they could put it to.

The CHAIRMAN. You say they are placed on your desk at 9 or 10 o'clock in the morning. That is rather indefinite. Can you not be a little more definite?

Mr. BULLA. Well, it is not the market of that morning; it is the receipts of sheep, cattle, and so on in other markets; all of the markets of the United States.

The CHAIRMAN. You have all that information from other sources?

Mr. BULLA. Oh, no; we have the different markets put on the blackboard in the morning—the different large markets.

The CHAIRMAN. Who are they supplied by?

Mr. BULLA. It is supplied that way. That is a benefit to us. That is what is going on in Chicago, Sioux City, Kansas City, and St. Louis the same morning.

The CHAIRMAN. Is one a duplication of the other? Is that the idea?

Mr. BULLA. Oh, no.

The CHAIRMAN. In what respects do they vary—the two reports?

Mr. BULLA. Well, I am sorry to have to try to answer what that sheet reads. I can not. It gives the result of every little market. I don't know what it does not give. It is a large document that long [indicating], two sheets of them a morning. That does not relate to any market that morning.

The CHAIRMAN. It simply relates to the receipts, then?

Mr. BULLA. It is to post us on conditions—I do not know what. It is to try to post us on conditions in the country, but it does not do it.

The CHAIRMAN. There is quite a propaganda on to increase their appropriations; the committee has been criticised for making the appropriation. I am asking for information; I am sure the committee would like to have the information.

Mr. BULLA. Well, I am telling you positively, and I am speaking rather with authority, because I inquired before I answered Mr. Hall's letter.

The CHAIRMAN. You said it would be of some benefit if it were sent out in time?

Mr. BULLA. I said to the countryman.

The CHAIRMAN. I understood you to say if it could be sent out in time?

Mr. BULLA. To some countrymen; but it does not give the reports that we get on the blackboard.

The CHAIRMAN. Every countryman that gets a daily newspaper gets that?

Mr. BULLA. He gets the information that night, and that would be more valuable than this, in my judgment.

The CHAIRMAN. Do you buy from the packers?

Mr. BULLA. No, sir.

The CHAIRMAN. It has been stated that the reports coming in late are of no value to the packers. That the packer places his order at 8 o'clock in the morning, while these reports come along at 11 and hence they are of no value.

Mr. BULLA. I do not think they are of a particle of value. I wrote that to Mr. Hall. He asked me in Kansas City to write him a letter. I do not discourage their efforts or intentions. The intention of this is, I think, to try to inform the people, which I am heartily in sympathy with. But just for information, that is of no use.

The CHAIRMAN. Certainly the Bureau of Markets is doing the best it can under the circumstances. But the question is whether it has the facilities.

Mr. BULLA. I am certain they are doing their best, but I just think it is proving a failure.

Mr. WILSON. I feel like the chairman; I am very glad to get your opinion on the subject, not because of the value it has in the consideration of this bill, but for the value it may be to us in the consideration of the appropriation bill appropriating for the Bureau of Markets. That is the motive of the chairman's questions, too.

Mr. BULLA. I do not mean to mislead you by saying that the Bureau of Markets is of no value. I would not think of saying that.

Mr. WILSON. You are speaking only of this publication?

Mr. BULLA. That one paper alone. I am very positive about that. If they applied their energies to other lines it might be of value. I am great for information that is of value.

Mr. WILSON. I know that only this week I got a sheet torn out of Bureau of Markets publication, which had been sent to Mr. Charles S. Clark, the publisher of some grain journal in Chicago. He tore this sheet out and sent it to me, and said, "This comes so late that it is of very little or no value to me or anyone else." And he said he thought it was a useless expenditure of money, that it was not worth anything at all. I just wondered if this publication of the Bureau of Markets is of no value to anyone, if the appropriation should not be curtailed to that extent. Judging from your remarks it is of no good to you. I am very glad to have that information.

Mr. Bulla. I asked several people before writing the letter to Mr. Hall. I asked the opinion of several traders in the building. With one single exception there was not one that read it. One man said, "Well, they do not cost anything; let them come on." I did not consider that a very intelligent answer, because that did cost somebody something.

Mr. Day. Mr. Chairman, I can give you a little more information from Chicago on this same thing. I have been in quite close touch with the Bureau of Markets myself. They come to me practically every day for the market, which I take time to give them as nearly as I can. I talk it over with them. We in Chicago have the same experience as Mr. Bulla has in Omaha. These bulletins are of the previous day, and we have got our market information from the Drovers' Journal, and the information for the morning we have on the blackboard at the exchange. Their report is really a marvelous piece of work if one will sit down and take time to study it. But we fellows in the central markets find very little need for it. We already have the information.

What the country man has I do not know. If he gets a good morning newspaper and reads it he has his information already. If he does not do that and is furnished this it might be of great value to him. That I do not know, because I have not talked to them; I do not know what benefit it is to the producer.

The Chairman. How nearly accurate is this report?

Mr. Day. I really have been so busy, Mr. Chairman, that I have not had time to examine it.

The Chairman. Have you ever compared it?

Mr. Day. No; I have not. I have not had the time. It is a large document, and it would take considerable time.

The Chairman. From what source does the Bureau of Markets get its information?

Mr. Day. They get the feeder market usually, I think, from me and others. They come down and hunt us up.

The Chairman. From what source do you get yours?

Mr. Day. From sales that we make right along.

The Chairman. What about receipts?

Mr. Day. Oh, they get them from the stockyards companies' records.

The Chairman. Early in the morning you put on the blackboard the number of cattle that have arrived. Where do you get that information?

Mr. Day. At the stockyards.

The Chairman. Yes.

Mr. Day. Oh, I have had nothing to do with it, but I have understood that the Bureau of Markets gets it, based on the estimated number of cars coming in.

The Chairman. No; you have always had those reports. They have been there as long as I have been going to the stockyards. How do you arrive at those figures?

Mr. Day. They figure it out from the cars and how they are counted out at the chutes.

The CHAIRMAN. I do not want to take up time, but with your indulgence I would like to have the information.

Mr. DAY. All right; I will give you this: Formerly, as I understand it, the packers, the stockyards company, and the live-stock exchange figured this thing out, and since the Bureau of Markets has been in existence they have figured it out. It is general comment at the yards that the Bureau of Markets comes nearer getting the real receipts than they used to do. They come nearer guessing. Then there is another thing they are putting out that is of real value, the estimated receipts for the following day. They post it about 12.30 o'clock, and they nearly always have it pretty close.

Mr. MOONEY. They post it at 12.30 at Chicago.

Mr. WILSON. Where do they get those estimated receipts?

Mr. DAY. From the railroads.

Mr. BULLA. The secretary of the live-stock exchange questions each railroad early in the morning about the number of cars they have in Kansas for Omaha, and they will give it as nearly as they can. They do not know exactly, but it is very close. There will be so many cattle, so many hogs, so many sheep, and then so many mixed, and they can give a correct count.

Mr. WILSON. They get that from the railroad companies?

Mr. BULLA. From the railroad companies.

Mr. WILSON. Do they telegraph it in? Is there any expense attached to it?

Mr. BULLA. I could not answer that. I expect that would be free.

Mr. MOONEY. The various railroad agents when they accept orders and the cars are loaded, wire it in during the regular course of business to the Railroad Administration, and they compile the figures from those individual reports. So that at 12.30 on Friday, for instance, they can tell how many cars, loaded, will arrive in Chicago on Saturday morning from a certain radius. They know how many cars are loaded with cattle, how many are loaded with sheep, and how many are loaded with hogs, and they can estimate the number pretty accurately.

I think on Tuesdays and Fridays they can not come quite so close, because the zone is smaller under certain conditions, and the reports come in too late—they are loaded too late at night to get in the aggregate figures. The stuff that is loaded at 5 o'clock does not get into those reports. They are very accurate, except on those two days; they make a very good guess. So the reports from the Bureau of Markets are better now than they ever were under former conditions.

The CHAIRMAN. That is under Government control now. What about the daily service under normal conditions?

Mr. MOONEY. I presume we have been getting them right along. I have not been there.

The CHAIRMAN. How about before the close of the war?

Mr. LIGHTFOOT. I think I can answer that for you. Every conductor of every freight train when he starts his run sends to the division superintendent what is known as a "consist." He takes his waybills, and he telegraphs to the division superintendent's office every car and what it contains, so that they have the information in the superintendent's office of every car of freight that is moving on that division and also of what it consists. So that it will be an easy matter to phone down to the superintendent's office in Omaha and find out how many carloads of cattle and what kind of cattle are coming in.

The CHAIRMAN. That is all entirely outside of the question we are discussing here. We are very much obliged to you gentlemen.

Mr. ANDERSON. There is one question I want to ask Mr. Bulla. Do you as a member of the Traders' Exchange have any contact with the stockyards company?

Mr. BULLA. No, sir.

Mr. ANDERSON. No agreement or arrangement at all?

Mr. BULLA. No, sir.

Mr. ANDERSON. Does the exchange have any contract?

Mr. BULLA. I do not know. I think they give a bond, probably, for the guaranty of the trade, but the traders do not.

Mr. ANDERSON. What I am trying to get at is whether the stockyard company laid down any rules or make the exchange or the members of the exchange enter into any contract with it as the price of doing business on the yards.

Mr. BULLA. No, sir; none whatever; in no way.

I would like to add one word. If you gentlemen are so friendly to your constituents that you want to do as much for them as we do for them year in and year out, you will have to work overtime, and I hate to think you would have to do that. I know you are worked pretty hard, anyway.

Mr. DAY. Mr. Chairman, I would like to say that our national president, Mr. C. H. Martin, was not able to come, on account of the illness of his wife. I also want to thank you on behalf of the entire membership of the traders who have been represented here for your very kind and courteous treatment. It certainly has veen very considerate the way you have handled our hearing.

Mr. LIGHTFOOT. Mr. Chairman, I have a little correction that I want to make in the record here, at the request of Mr. Wilson.

Mr. Marsh has on several occasions read an excerpt from what purported to be the testimony of Mr. Wilson, found in part 2 of the hearings before the Committee on Agriculture and Forestry of the United States Senate on Senate bill 5305. On page 1975 of that volume we find this language, under the head of a statement by Mr. Wilson:

> Now, on the other hand, the little fellow hasn't any chance at all under present conditions to spread out, depending on refrigerator cars, because he can't afford to have a repair shop of his own; he can't afford to own cars enough for that, and he can't have a staff looking after the expediting of the cars, which is an expensive proposition, and can only be maintained after you have a large enough business.

Now, Mr. Wilson states that that statement accredited to him is a typographical error on the part of the reporter; that that was a part of the question which Mr. Heney asked him, and was not a part of his statement. His answer to that particular statement follows in the next line there:

> Of course, I don't think he really wants to. He couldn't very well, the most of them. Some of them could.

That was Mr. Wilson's answer, in that language, to the long statement appearing in the record as his, when, in fact, that was part of the question which Mr. Heney had asked him.

Mr. Wilson has asked me to correct that in the record.

The CHAIRMAN. Mr. Heney is entitled to the credit for the statement? Is that it?

Mr. LIGHTFOOT. Yes, sir; it was just a mistake on the part of the stenographer in putting Mr. Wilson's name in it. It was a part of the question which Mr. Heney had asked and was not an answer by Mr. Wilson to any question.

Mr. ANDERSON. Did Mr. Wilson correct his testimony after he gave it?

Mr. LIGHTFOOT. I do not think he did. That was right at the close of the hearing, and he went away immediately, and I do not think he corrected it. If he read it over he did not catch it. It was called to his attention by reading the record here, and he asked me to make that correction. I think when you read it there you will find it is very patent.

The CHAIRMAN. You were going to put in the record the rates charged, the advantages and disadvantages of refrigerator cars. You are allowed so much trackage, are you not?

Mr. LIGHTFOOT. Yes, sir; the packers receive mileage.

The CHAIRMAN. They receive mileage for the use of the cars, and then pay the regular rate, is that it?

Mr. LIGHTFOOT. Oh, yes; they pay the regular freight rate that anybody else pays, and then in addition they ice their own cars.

The CHAIRMAN. If they own the car they are allowed a certain mileage? Is that it?

Mr. LIGHTFOOT. Yes, sir. They are allowed, I think, a cent a mile.

The CHAIRMAN. Then the packers own the cars, and they receive 1 cent a mile for mileage?

Mr. LIGHTFOOT. Yes, sir.

The CHAIRMAN. And then pay the regular rate, the same as if they did not own the cars?

Mr. LIGHTFOOT. Absolutely.

Mr. VEEDER. Then, in addition, they have to do the preicing of the car, whereas on a railroad the icing is done by the railroad company.

Mr. LIGHTFOOT. If there is any done. All the cars we use to ship fresh meat in are filled before they are ready. We have to start icing it in order that the proper temperature will be in the car before it is loaded. All that ice is furnished by the packers, and they receive no pay from the railroads for it or for the service in putting it into cars. On the other hand, where the railroad furnishes a refrigerator car they have to do that preicing themselves at their own expense. That is an additional expense that the packers have.

The CHAIRMAN. I anticipated that question might be asked. I asked for information.

Mr. RAINEY. Mr. Chairman, three gentlemen are here from Baltimore; they are anxious to return, and I hope we may be able to hear them soon.

Mr. T. Davis Hill is the gentleman I will call first.

STATEMENT OF MR. T. DAVIS HILL, VICE PRESIDENT CORKRAN, HILL & CO. (INC.), MEAT PACKERS, BALTIMORE, MD.

Mr. HILL. Mr. Chairman and gentlemen, I have prepared a statement in the form of a letter which I will read, and then if you desire to ask me any questions I will be glad to answer them. [Reading:]

BALTIMORE, MD., *March 19, 1920.*

Hon. GILBERT N. HAUGEN,
Chairman Agriculture Committee of Congress. Washington, D. C.

SIR: We, the undersigned, being classed as "small packers," in opposing Mr. Anderson's bill, H. R. 6492, realizing the great amount of work before your committee, herewith submit, as briefly as possible, our objections, which are:

1. It would not stimulate the production, sale, and distribution of live stock and live-stock products, but would restrict same.
2. It is un-American and places taltogether too much power in the hands of one person.
3. No man could be found with sufficient ability and capacity to discharge the duties outlined in this bill without injury to some packers.

We oppose it as unnecessary because—

1. If the justification for similar measures introduced in the Senate last year was found in the reports of the Federal Trade Commission as Senator Kenyon is reported to have stated, then such justification has been removed because these reports were flatly contradicted by the persons best qualified to do so, viz, the live-stock producers and the small, or so-called "independent packers."
2. There are at present sufficient laws on the statute books to prevent the packers from combining in any way whatever in the restraint of trade.
3. The profits of the packing industry since our country entered the war were limited part of the time to 2½ per cent on sales, but only averaged between 1 and 2 per cent, and for the entire period between our entrance and the present time, the percentage of profits has been, and is now much less than any other large industry in the country, and lower than sound business methods should permit.

We oppose this bill because of the danger of placing in the hands of one man, the power to revoke licenses, which would surely jeopardize credit at the banks which is so necessary in order to provide a ready market for the live-stock producer every day in the year.

There is the danger also, when reducing the efficiency of the packer or disturbing the ordinary movement of live stock and live-stock products from the producer to the consumer, of a slowing down in the industry, which would reduce prices to such an extent as might make it unprofitable to the producer, thereby decreasing the amount of food products, which, in turn, would cause higher prices to the consumer.

There is further danger in this bill and similar ones of so curbing the credit, ambition, initiative, and ability of the small packer to such an extent that he would find it unprofitable to continue, thereby removing a large number now engaged in the business, and leaving the entire packing industry in the hands of a few men.

Therefore we respectfully recommend to the Members of Congress that they refrain from introducing any bills which would disturb, or tend to destroy, the present efficiency of the packing industry until violations of the law or unfair methods occur, found to be such by persons qualified to determine the difference between legal evidence and gossip from notoriety-seekers and disgruntled live-stock producers who think they can upset the natural law of supply and demand.

Very respectfully,

CORKRAN, HILL & CO. (INC.),
Per T. DAVIS HILL, *Vice President.*

Mr. HILL. I will be glad to answer any questions that may come up on that statement.

The CHAIRMAN. Are there any questions?

Mr. RAINEY. I have none to suggest.

Mr. HILL. Can I say a word, if you have finished with this?

The CHAIRMAN. Certainly.

Mr. HILL. Can I say one word about these Bureau of Markets reports?

The CHAIRMAN. Certainly; we would be glad to have you.

Mr. HILL. They have proven of no value at all to the meat packers. The information we get is on beef and sheep and lamb as sold in the markets around Chicago—I think they include that—and it is a day or two after it occurred, which is of no value to us here. I have just one suggestion to make, and only one recommendation to make, in view of the appropriation now being asked, that you secure a reply from the packing industry or any industry that receives that Bureau of Markets report, as to whether they are of any use or not, and then we have a line on the usefulness of it, on the question of whether or not to appropriate any money.

The CHAIRMAN. Where do you buy?

Mr. HILL. In the Baltimore market——

The CHAIRMAN (interposing). Do you buy in the Baltimore market or the western market?

Mr. HILL. In the Baltimore market or the western market, wherever we think it is most advantageous.

The CHAIRMAN. You buy live stock in the western markets?

Mr. HILL. Yes, sir.

The CHAIRMAN. And these reports are of no value to you, you say?

Mr. HILL. It is a day or two too late; it does not give the live stock market; it gives the dressed meat market.

The CHAIRMAN. I can see how it would not be of much value to the people in Chicago, but it might be of great value to the people outside.

Mr. HILL. It is the price of the market product which we receive; the ranges of prices on the market, a day or two after they are sold, on live stock, in different Western States, a day or two after they are sold. It is the price of the product.

The CHAIRMAN. Are you talking about the product, or the live stock?

Mr. HILL. The product; we do not receive the live-stock reports.

Mr. VOIGT. Where do you buy most of your live stock?

Mr. HILL. Cincinnati, Nashville, St. Louis, and Louisville; very few in Chicago.

Mr. VOIGT. And you can pay the freight on the live stock from the western markets and still compete with the packers?

Mr. HILL. We always have done it.

Mr. VOIGT. Where do you get rid of your product?

Mr. HILL. In the eastern part of the country, from Baltimore south.

Mr. VOIGT. You sell here in Washington?

Mr. HILL. Oh, yes.

Mr. VOIGT. In New York?

Mr. HILL. No. We do very little business north of Baltimore.

Mr. VOIGT. In Philadelphia?

Mr. HILL. Very little.

Mr. VOIGT. You sell it mostly along the eastern coast?

Mr. HILL. Yes, sir.

The CHAIRMAN. You buy live stock and kill?

Mr. HILL. Yes, sir; cattle, sheep, lambs, and hogs.

The CHAIRMAN. From what source do you get your live-stock reports?

Mr. HILL. By telegram, from the different markets. For instance, this afternoon——

The CHAIRMAN (interposing). You buy through live-stock buyers?

Mr. HILL. Yes; we buy through live-stock buyers in the different markets. For instance, this afternoon we get a report on the prospects of the market to-morrow.

The CHAIRMAN. Reports from whom?

Mr. HILL. From the buyers. Previous to the war service of the telegraph we were enabled to get a telegram early in the morning which would enable us to wire back to purchase in the afternoon, but in the last few years you can not get a message through in time to do that; the delay in the service is so great.

The CHAIRMAN. The delay is due to the poor telegraph service?

Mr. HILL. Yes, sir.

Mr. LIGHTFOOT. Mr. Hill, it has been stated in the report of the Federal Trade Commission that the small packers exist only by the sufferance of the five large packers. I will be glad if you will state to the committee whether that is a fact in relation to your business.

Mr. HILL. I denied that before the Senate committee last August, and I reaffirm it here to-day.

Mr. ANDERSON. How long has your firm been in business, Mr. Hill?

Mr. HILL. Started in 1876.

Mr. ANDERSON. How big is your volume of business?

Mr. HILL. About seven or eight million dollars a year; between seven and eight million dollars last year.

Mr. ANDERSON. How much was it in 1916?

Mr. HILL. Well, I think it was about the same in pounds; it would not be as great in dollars, because the price was not as high.

Mr. ANDERSON. Is it your impression that the small packer is holding his own in proportion to the volume of business now in the country?

Mr. HILL. I think so.

Mr. ANDERSON. I think you would have difficulty in demonstrating that by any record. Of course, the small packer has grown and there have been a number of small packing plants started, and some quite large ones, but the fact still remains that the total amount of business done by the small packer is relatively less than 10 years ago.

Mr. HILL. I will qualify that statement of mine, because during the war the large packers' business increased faster than the small packers' business, because of the needs of our Government and of the Allies. It was not possible for the small packer to supply the goods as the allied countries and our own Government demanded, and you can readily see why their business increased more rapidly during those years. Previous to that, I don't think they increased faster, and I don't think they are now.

Mr. ANDERSON. But the record shows that they are.

Mr. HILL. For what reason; what record?

Mr. ANDERSON. The percentages of slaughter of the inspected plants show that the proportion of the Big Five is constantly increasing.

Mr. LIGHTFOOT. Do you make allowance in that percentage for the large number of packing concerns that have been acquired in the meantime that necessarily have increased the business of the large packers?

Mr. ANDERSON. I am not saying how it was done; I am saying that the volume of business done by the large packers, as shown by the figures with respect to the inspected slaughter, is constantly increasing.

Mr. LIGHTFOOT. The plants were acquired—a number of small plants—and that would account for some of the increase you have in mind.

Mr. HILL. I am of the opinion that the business in Baltimore has steadily grown for a number of years.

Mr. ANDERSON. There is no question about that, Mr. Hill, and if I were in your position I would feel, I think, that the small packer was holding his own, and I was astonished by the figures which seem to indicate that that is not the case.

Mr. HILL. In this report that you have, or statement, that includes, of course, the export business?

Mr. ANDERSON. It includes—it is based on the percentage of inspected slaughter done by the Big Five.

Mr. HILL. A large export business would explain a part of that. As a small packer I would not have any fear for the big packer who was growing his business, provided he was not growing it to our disadvantage in our territory. As evidence that we have not had any fears of them, we built a large packing plant during the war, at a large investment, and we would hardly have done that if we had feared we could not maintain ourselves.

Mr. VOIGT. Do you maintain branch houses?

Mr. HILL. No, sir; only one in the city.

Mr. VOIGT. Do you have your plant in the city, or outside?

Mr. HILL. The main plant is outside; we have a distributing plant down town.

Mr. VOIGT. Do you own any refrigerator cars?

Mr. HILL. None.

Mr. VOIGT. You, of course, use them?

Mr. HILL. When occasion requires.

Mr. VOIGT. Have you had any trouble getting refrigerator cars; from the railroads?

Mr. HILL. I would not say we have had any serious trouble; we do not have much difficulty with them. We do not often use them—do not have much call for them.

Mr. VOIGT. Do you handle fresh meats?

Mr. HILL. Yes; Norfolk is a point of shipment for us. We can ship goods much more readily and easily on a boat to Norfolk than we could by the refrigerator cars. A boat leaves Baltimore to-night at 6.30 o'clock, and gets into Norfolk the next morning at 7 o'clock, and on a car it would take several days.

Mr. VOIGT. You do not ship very far from Baltimore?

Mr. HILL. Yes; we ship our product all the way to Florida; not fresh meats, however.

Mr. VOIGT. Your fresh meats are more local?

Mr. HILL. Within a smaller territory.

Mr. VOIGT. Then you haven't much use for refrigerator cars in your business?

Mr. HILL. No; if we had, we would have them. I don't know anything to prevent Corkran, Hill & Co. from having refrigerator cars, if we needed them.

Mr. VOIGT. I was wondering to what extent you depended on refrigerator cars.

The CHAIRMAN. Do you use trucks in your delivery?

Mr. HILL. Yes, sir; a number of them; 18 of them.

The CHAIRMAN. Do you deliver outside of Baltimore?

Mr. HILL. Oh, yes, sir.

The CHAIRMAN. Did you receive any orders for export to supply the Army?

Mr. HILL. Not for export, but we did from the camps around Baltimore, during the war, and even now, up to the present time.

The CHAIRMAN. Did you meet with any great trouble or competition?

Mr. HILL. We simply submitted prices; if ours were the lowest and most satisfactory we got the business, and if they were not we did not get it.

The CHAIRMAN. There was no handicap so far as the Big Five was concerned?

Mr. HILL. None whatever. We have never found any difference in the competition of the so-called big packer and the small packer. Everybody is out for the business. This packing business is not very profitable, and is not at the present time, and as I stated in that letter to you, Mr. Chairman, it seems to us that any restrictions whatever that would be put on us now would work to the detriment of the live-stock producer, the consumer, and the packer.

The CHAIRMAN. The Big Five have branch houses in your city?

Mr. HILL. Four or five of them.

The CHAIRMAN. You are still in competition with them; you are selling in competition with them all the time?

Mr. HILL. Yes, sir.

Mr. VOIGT. Do you maintain any meat-selling houses?

Mr. HILL. You mean retail stores?

Mr. VOIGT. Yes, sir.

Mr. HILL. None, whatever.

The CHAIRMAN. If that is all, Mr. Hill, we are very grateful to you.

STATEMENT OF MR. HOWARD R. SMITH, OF JONES, LAMB & CO., BALTIMORE, MD.

Mr. SMITH. Mr. Chairman and gentlemen of the committee, I appear before you here as being bitterly opposed to the Anderson bill, or any other bill to regulate the packing house industry. We are small packers. We have been in business in Baltimore for 13 years. Prior to that time I was engaged with Nelson, Morris & Co., of Chicago. I naturally know a great deal about the working of the large western houses and it seems as though they are about the bone of contention on all packing house legislation, and I want to say right here when it comes to competitors I would far rather have the five big western packers as my competitors than any two packers in Baltimore. That is how strong competitors they are to us.

And as regards to the falling off of the packing business, that is of the small packers, I want to say that it has not been our case. We have operated there in a very small place for 13 years. We are now building a packing house in Baltimore which will involve an expenditure of about $2,000,000. If we felt much afraid about the large packers putting us out of business, I don't think we would spend a dollar for that improvement. We are also fitting ourselves for an export business. Up to the present time we have not done any. We are now shipping goods all the way from New York to Key West, Fla., and we are operating under the Bureau of Animal Industry, and the Federal Trade Commission comes down and looks our books over—we have nothing to hide—and we can not see where the small packer will be benefited by this legislation.

Mr. ANDERSON. Whatever the producers may say, then, about the packing business has not hurt the business of the small packer any?

Mr. SMITH. It has not hurt us any.

The CHAIRMAN. Have you finished your statement?

Mr. SMITH. That is all. If there are any questions I would be glad to answer them.

Mr. VOIGT. Do you use refrigerator cars?

Mr. SMITH. Very seldom. We have not shipped in them to any extent, but we expect to when we get into our new building. The view we have with reference to them, whenever we have required refrigerator cars we have not experienced any trouble in getting them. We could not say now, at 10 o'clock in the morning, we want a car this afternoon and get it, but we have not had any trouble in getting cars when we needed them. When we come to the point where we need them we will buy them as other packers have done and not depend on the railroads for them. But we have never been crippled so far.

Mr. VOIGT. Do you find that the railroads furnish you properly equipped cars?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Your shipment is largely by boat?

Mr. SMITH. No; just to Norfolk by boat is all, and some down the Chesapeake Bay and on the rivers tributary; and some that goes by boat to Norfolk, goes by rail from there, is redistributed. But we ship by rail to Philadelphia and to other places, the same as other packers do; but some of our goods that go to Norfolk by boat are then redistributed by railroad.

Mr. VOIGT. Do you ship in the summer time meat as far north as New York?

Mr. SMITH. No; not in the summer time; but we do in the winter.

Mr. VOIGT. When do you ship to Norfolk?

Mr. SMITH. We ship that in the summer time, fresh killed. It arrives there the next morning.

Mr. VOIGT. Do you maintain a warehouse there?

Mr. SMITH. No; no warehouse.

Mr. VOIGT. Do you ship it on orders?

Mr. SMITH. We ship it on orders.

Mr. VOIGT. You do not take any chances on shipping it there and selling it?

Mr. SMITH. No, sir; it is all sold before it leaves our place.

Mr. VOIGT. Do you sell to retailers or wholesalers?

Mr. SMITH. Both. In fact, we sell a great deal to the western packers, the big five; some in the city and some out of the city. In fact, we frequently sell them some; in fact, I think we sell them as much as we buy from them.

Mr. VOIGT. You also buy meats from them, do you?

Mr. SMITH. Oh, yes; anybody we can buy from. We buy a great deal of products from them.

Mr. ANDERSON. What proportion of your slaughter is local hogs?

Mr. SMITH. Well, there is comparatively none. We get our stock from the West principally; very little from the Baltimore stockyards.

Mostly from the stockyard centers, Cincinnati, Nashville, Kansas City, St. Louis, Indianapolis, and a very few from Chicago. We have had some shipments from Birmighgam, Ala.

Mr. **Anderson**. You do not buy much west of Kansas City?

Mr. **Smith**. No; we have had a few cars from Omaha, but they have been very few. Their hogs are generally a little heavier than what we want.

Mr. **Lightfoot**. Do you buy your live stock in competition with the large packers in the West?

Mr. **Smith**. Oh, yes.

Mr. **Lightfoot**. Do you ever have any difficulty in getting what you want if you pay the price?

Mr. **Smith**. No; if they are on the market we seem to have as good a show as anybody else. We have never received any reports from our buyers that they could not get them; we have never had any trouble. I think we have as good a show as any of the others.

Mr. **Anderson**. Perhaps there isn't any complaint but they may take what they want and let you have the test.

Mr. **Smith**. Well, we couldn't answer that. We send our orders out there. Maybe they let us have what we want, and then they clean up the balance; or maybe they take what they want and let us clean up the balance.

Mr. **Voigt**. What is your annual business?

Mr. **Smith**. We run between four and five million dollars a year.

Mr. **Voigt**. Do you utilize the by-products to the same extent as the big five?

Mr. **Smith**. Yes; we aim to work them all up; probably not as good as we will in our new plant, but now we even have a tank water evaporator.

Mr. **Voigt**. I don't know what that is——

Mr. **Smith** (interposing). When you have used everything else you can around the packing house, the only thing left is the water, and you run that into a tank and eveporate it for whatever there is in that. If anything gets away from us I don't know what it is.

Mr. **Voigt**. I understand that the only thing that gets away is the squeal.

Mr. **Smith**. That is all that gets away at our place. Sonething else mey get away, but if there is I don't know it.

Mr. **Voigt**. Do you think you are in as good position as the big packers to utilize the by-products?

Mr. **Smith**. I do; I think we have some advantages in Baltimore which they do not have in the West; a great many, of course, they have some that we do not have.

Mr. **Voigt**. But the small packer does not need to allow anything to go to waste?

Mr. **Smith**. No, indeed. I do not see why he should. We do not waste anything, and I do not think any of the others in Baltimore do. If it is getting away from me I want to know it.

The **Chairman**. In handling and shipping fresh meats, is it necessary to own the refrigerator cars; is it necessary to have them?

Mr. **Smith**. Mr. Chairman, I can not answer that very well at the present moment. We have never been at the point where we needed a great number of refrigerator cars for our shipments. We order to-day and get it out to-morrow. When we get over into our new venture, we may have to buy some cars.

The CHAIRMAN. Is it necessary, when you are extensively engaged in the business to have them?

Mr. SMITH. I could not answer that now, Mr. Chairman.

The CHAIRMAN. I have observed that a great many of the small packers say that they do not ship fresh meat.

Mr. SMITH. We do not calculate that we have needed them up to this time; when we need them we will buy them.

The CHAIRMAN. In your opinion, could you handle it without owning the cars?

Mr. SMITH. From our experience—the experience that we have had, I think we could handle it without buying the cars. We have not had very large experience along that line; we have not needed very many cars. The few we have needed we have been able to get.

The CHAIRMAN. Is it necessary to have and own the cars in order to get the business and in order to handle it?

Mr. SMITH. I have understood that some of the Philadelphia packers shipped a car or two every night, or nearly every night, and evidently they can get them.

The CHAIRMAN. Do you handle any soft pork?

Mr. SMITH. We do not handle it if we know it. We only handle it when they run soft hogs in on us. If there is any legislation you can pass to stop that, I would like to see it go through.

The CHAIRMAN. Is there any way of telling them, or any way of picking them out?

Mr. SMITH. No; you can not tell them by looking them in the face. You can tell to some extent by the section from which they come, but sometimes they will run them into some good section and let them stay awhile, and then give them another ride and ship them in.

The CHAIRMAN. Then I understand you that soft hogs are not very desirable.

Mr. SMITH. No, sir; I would not give $3 a hundred for soft hogs under the market.

The CHAIRMAN. $3 a hundred under the market?

Mr. SMITH. No, sir; not if I knew it.

The CHAIRMAN. That is outside of the question, of course, but I supposed you have had some experience.

Mr. SMITH. Yes; I have had some experience with soft hogs.

Mr. ANDERSON. I was wondering if there are any particular advantages in Baltimore in the business; anything you have in mind—I do not want to press you on the matter.

Mr. SMITH. I do not know that there are any advantages over any other place along the East coast. We have been operating there for a number of years——

Mr. ANDERSON (interposing). The advantages might be just the advantage that you have in having a large supply of raw material, or is your material all shipped from the West? The advantages are not so much on the face of it?

Mr. SMITH. That is true. There are large packing plants in New England, and they have been maintaining themselves and they have been making some money.

Mr. LIGHTFOOT. How many packing plants have you in Baltimore?

Mr. SMITH. Roughly speaking, 10 to 12.

Mr. LIGHTFOOT. Ten or twelve.

Mr. SMITH. Baltimore has always been a right large eastern packing point on hogs particularly.

Mr. ANDERSON. Baltimore has quite a large hog market?

Mr. SMITH. Yes; a great many hogs come in there.

The CHAIRMAN. Is it also a large cattle market?

Mr. SMITH. Yes; a great many cattle come in there. We have a good market there. When I say "good" I do not mean compared with a Western market. We have one good day, you might say—on Monday; the rest of the week does not amount to so much.

The CHAIRMAN. Where do the cattle from Virginia go?

Mr. SMITH. To Baltimore, practically.

The CHAIRMAN. All of them?

Mr. SMITH. A great many of them.

The CHAIRMAN. And also from Maryland?

Mr. SMITH. Yes; and we get a great many hogs from there, too.

The CHAIRMAN. That is where you get your soft hogs?

Mr. SMITH. No; indeed we do not; they come from farther South.

The CHAIRMAN. Not from Virginia?

Mr. SMITH. Not from that part of Virginia; we have never got any from there. The Virginia hogs we get are good stock. The far southern States are the ones that produce the soft hogs. We have never gotten any soft hogs from Virginia.

Mr. ANDERSON. You had about 700,000 or 800,000 receipts in 1917 and 1918; that is a good market.

Mr. SMITH. A great many of those receipts, of course, are what comes into the stockyards; those come from the western points. That is misleading in one way.

Mr. ANDERSON. That is misleading, you say?

Mr. SMITH. Yes; that is misleading in one way. That includes a great many that comes from western points.

Mr. ANDERSON. That is not local receipts?

Mr. SMITH. No, sir.

Mr. ANDERSON. Those are shipped in from outside markets?

Mr. SMITH. Yes, sir.

Mr. ANDERSON. Have you any idea how much of that number is local receipts?

Mr. SMITH. No, sir.

Mr. ANDERSON. You could not tell what proportion of that is local receipts?

Mr. SMITH. No, sir; I could not answer that. Could you, Mr. Hill?

Mr. HILL. I would say they run from—no; I would not venture to answer that.

Mr. SMITH. It would be a hard matter to tell that.

Mr. ANDERSON. Do you buy direct; that is, in the country?

Mr. SMITH. Very few. We have bought them around Maryland, and some few in Pennsylvania and Delaware, but that does not amount to much. You can not depend on it at all.

Mr. ANDERSON. What you buy you buy there locally?

Mr. SMITH. Not always in the stockyards. Our salesmen pick us up a car here and there through the country, but that is a very small percentage. Not enough to really consider.

Mr. ANDERSON. A large percentage of your kill is of hogs and cattle shipped in?

Mr. SMITH. I would say 97 per cent, easily, which is really trifling—the other——

Mr. ANDERSON. How many cattle do you kill in a year?

Mr. SMITH. We do not kill any cattle at all; we only slaughter hogs.

The CHAIRMAN. If that is all, Mr. Smith, we are very much obliged to you.

STATEMENT OF MR. H. C. BERTRAM, REPRESENTING D. B. MARTIN CO., BALTIMORE, MD.

Mr. BERTRAM. Mr. Chairman and gentlemen of the committee, we are independent packers operating in Philadelphia, Wilmington, and Baltimore. We are opposed to the bill for a number of reasons. First, because we feel that we are honorable men, conducting an honorable business, and do not feel that we should be subjected to any more limitations or restrictions than men in any other line of business, such as the steel men or men engaged in the manufacture of boots and shoes. We never hear of them being regulated by the Government, and we do not see why we should be. We feel that the various bills as proposed, the Kenyon and Kendrick and Anderson and Gronna bills, will be a means of restricting our business, making expansion, or rather the financing for expansion rather difficult. A banker looks with suspicion on a business that is under the control of one man or even under commission control, because there are no rules or regulations to govern that business. It becomes a case of where you are operating under one set of regulations to-day, but to-morrow may bring forth an entirely new set of rulings. And we feel that this restriction of our expansion does not operate as a benefit to the farmer or the producer of the live stock. We feel that this Government should do all it can to encourage production of all kinds, and by restricting markets you are not encouraging production.

We meet the big packers in competition, and we have grown. We have just finished a very considerable improvement to our Baltimore plant and enlarged it, and whereas our company started with one little plant in Wilmington, a good many years ago, and a small order house in Philadelphia, we now have, with out soap works, with our oil plant, and our acid enterprise, we now have 10 plants in all. That is our expansion in the case, gentlemen.

If there are any questions you would like to ask, I would be very glad to answer them.

The CHAIRMAN. What is the volume of your packing business, meat packing?

Mr. BERTRAM. I can not answer that offhand. We did a pork business—we have only been in the pork-packing business in Baltimore since last August. We have been packing hogs in Philadelphia for quite a number of years. Our cattle kill amounts on an average—we kill from 500 to 800 a week of cattle.

Mr. ANDERSON. In how many plants?

Mr. BERTRAM. In one plant. Philadelphia is killing from ten to twelve hundred a week. Wilmington is killing from 250 to 400, according to conditions; that is a small plant there. We are killing about 3,500 to 4,000 hogs a week in Philadelphia at the present time. In Baltimore we are going light at present, only killing about 1,500.

Mr. VOIGT. How long has your packing plant been in existence?

Mr. BERTRAM. We have been in business in Baltimore since 1898.

Mr. VOIGT. Had you been in business somewhere prior to that time?

Mr. BERTRAM. Yes, sir; I could not tell you just when the company started, but when we bought this plant in Baltimore in 1898 we were in business in a small way in Wilmington and had a plant in Philadelphia at Grays Ferry.

Mr. VOIGT. Your business has been growing all the time?

Mr. BERTRAM. We have grown steadily.

Mr. VOIGT. That is, your purchases of cattle have increased one year after another?

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. You say there are 10 or 12 packing plants at Baltimore?

Mr. BERTRAM. I should say 10 or 12 at Baltimore altogether.

Mr. VOIGT. Do you men maintain any association?

Mr. BERTRAM. Why, we have in Baltimore a meat-packers' association, but all the packers do not belong to it, and its functions are largely social. It is not a controlling organization in any sense of the word.

Mr. VOIGT. Do you meet occasionally to talk over business matters?

Mr. BERTRAM. We meet once a month.

Mr. VOIGT. What do you discuss at those meetings?

Mr. BERTRAM. General business conditions.

Mr. VOIGT. Is there anything said about prices——

Mr. BERTRAM (interposing). There is no attempt to control prices at all or fix prices.

Mr. VOIGT. Do you discuss prices?

Mr. BERTRAM. We have at times, when we get together.

Mr. VOIGT. Well, you get together once a month, or oftener?

Mr. BERTRAM. Once a month.

Mr. VOIGT. You never get together between times to talk over business matters?

Mr. BERTRAM. I think there have been a few occasions—well, not in connection with prices, price fixing, or anything of that sort—but our frequent meetings lately have been in connection with a butchers' strike we had in Baltimore; we had a strike there in October which lasted a couple of months.

Mr. VOIGT. How many killing plants does your company maintain?

Mr. BERTRAM. Four.

Mr. VOIGT. And where are they?

Mr. BERTRAM. There are two in Philadelphia. We have one plant where we kill cattle, and another—our pork-packing plant is another plant at Greys Ferry, another part of Philadelphia. And we have a pork-packing plant in Wilmington, and one in Baltimore.

Mr. VOIGT. Has there been any new packing concerns in Baltimore within the last two or three years?

Mr. BERTRAM. Not to my knowledge; not a new concern. There have been some expansions of old concerns; no new plants, but extensions and additions to old plants. There are two big plants now under construction. This company of Mr. Smith, the Jones & Lamb Co. and Studeberg & Sons.

Mr. VOIGT. When was the last packing plant started at Baltimore; do you know?

Mr. BERTRAM. I could not tell you. Do you know, Mr. Smith?

Mr. SMITH. Do you mean any new concern?

Mr. VOIGT. Yes; the youngest packing concern in Baltimore.

Mr. BERTRAM. In the pork-packing business we are the youngest, because we have gone in lately there in Baltimore.

Mr. SMITH. Some of the packing concerns were butchering establishments and have developed into packing concerns. Our company was a consolidation of G. M. Lamb & Bros. and R. M. Jones companies, under the name of Jones, Lamb & Co. They were large slaughterers, and they were in existence for either 25 or 30 years.

Mr. VOIGT. What I want to know is when did the youngest concern that is now in the packing business start up?

Mr. SMITH. That is what I am trying to explain to you. Several firms that were butchers, men that run shall stalls in the markets developed into small packing houses and started in the packing business. There was no new concerns started in the business there in the last 15 years.

Mr. BERTRAM. I think Greenwald was about the last; they started in 1906, if my recollection serves me right.

Mr. SMITH. Studeberg and Greenwald were butchers there, and now have regular packing places.

Mr. VOIGT. Most of your packing plants are old concerns that have been in business for 20 or 30 years?

Mr. BERTRAM. Most of them have been in existence for 20 or 30 years; they were small butchers and have grown into packing plants. There are a good many hogs slaughtered in Baltimore every week.

Mr. VOIGT. Is it your observation that they have all grown at a like rate of increase?

Mr. BERTRAM. No; some of them have expanded very much more rapidly than others. I think you will find that always, in all lines of business.

Mr. VOIGT. I agree with you, that you do ordinarily find that in business, but it is not the case with the five big packers. That is the thing I have in mind and that I am trying to develop in asking the question.

Mr. BERTRAM. I see.

Mr. VOIGT. Do you find among the dozen or more packer in Baltimore that they each buy a given percentage of the live stock that comes in there?

Mr. BERTRAM. Oh, no; there is no percentage in buying. For instance, if I think the hog market is good and I can cut some money out of it, I will kill three or four thousand in a week. And if we are going to show a loss, as we have been, we do a minimum of business—just enough to keep our organization together and intact, and supply our trade. I think every other packer controls his business in the same way. In other words, he goes pretty fast when the going is good.

Mr. VOIGT. I think that is according to the usual laws of business.

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. You find that the percentage that you buy from year to year varies with the business conditions?

Mr. BERTRAM. It does vary to some extent, and yet we have commented on it in our directors' meetings in Philadelphia, that you come a good deal closer to your yearly figures—we have shown an increase right along, but it is not as great as you would be led to believe while the rush is on. In other words, take our cattle killing in Baltimore. I should say that six years ago we averaged for ourselves—we also do an abattoir business there, and kill for outside butchers—but in our own company, the cattle which we kill and dress, I should say our own killing averaged 350 a week; we have killed up to 800 or 900 a week for ourselves; and yet our average for last year was not greater than 450 cattle a week.

Mr. VOIGT. There are some of those concerns, if you trace them back through their history for 10 years, you will find that they have stood comparatively still in the volume of business handled; isn't that true?

Mr. BERTRAM. Undoubtedly. We have some in Baltimore right now who are killing less than they killed 10 years ago.

Mr. VOIGT. And you find some that doubled and trebled their business?

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. Due to the efficiency in management?

Mr. BERTRAM. I assume you would ascribe it to that.

Mr. VOIGT. In other words, you have found the same ups and downs among those packers in Baltimore that you find among ten or a dozen business men anywhere in a large city engaged in the same line of business?

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. Do you packers of Baltimore, in your monthly or other meetings, get together and compare notes on the amount of stock that you have bought and slaughtered?

Mr. BERTRAM. We do not. Well, I am liable to say, or Mr. Smith is liable to say, "We are killing very heavy now." But beyond that we do not do any comparing on killing at all.

Mr. VOIGT. That is just commonplace talk?

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. What I am getting at, do you furnish each other information as to the amount of stock received or slaughtered?

Mr. BERTRAM. We do not. In fact, there isn't much get together with the Baltimore packers anyhow. I don't know whether it is true in any other city, but we do not find much of that spirit over there; we find it rather a cutthroat game.

Mr. LIGHTFOOT. When you get together don't you find about as many opinions as there are men there?

Mr. BERTRAM. Just about.

Mr. VOIGT. I did not intimate that you got together for any improper purpose.

Mr. BERTRAM. No, sir; I want to be perfectly frank with you and tell you.

Mr. VOIGT. Then you do not furnish to each other information about your business proceedings?

Mr. BERTRAM. No, sir; we do not. There is absolutely no attempt at distributing the cattle, or the kill, or dividing it up, or dividing up around the town, or anything of that sort. It is a cutthroat game, so far as that is concerned. In fact, every person over there has a knife out for the other fellow.

Mr. VOIGT. Would you personally feel inclined to give to your competitors in Philadelphia or Baltimore, or elsewhere, daily or weekly figures as to the amount of hogs you purchase or the cattle you purchase and slaughter?

Mr. BERTRAM. Would I feel inclined to give them that information?

Mr. VOIGT. Yes; to your competitors.

Mr. BERTRAM. No; I should say not. As a matter of fact, we try to keep our information to ourselves; we try to do our own business, although I can not see that there would be much harm done to let each other know how much we are killing, although we do not usually do that, although I do not see any particular objection to doing it.

Mr. VOIGT. You would not be inclined to do that?

Mr. BERTRAM. No, sir; I would not.

Mr. VOIGT. Do you know, as a matter of fact, that the five big packers do that?

Mr. BERTRAM. No, sir; I do not.

Mr. VEEDER. Is there anything in the record to show that?

Mr. VOIGT. Yes; I think there is.

Mr. VEEDER. I would like to have you point it out.

Mr. VOIGT. There are some figures in the report of the Federal Trade Commission showing that most of the information as to the number of animals slaughtered was obtained from competitors.

Mr. VEEDER. It showed that some was obtained from competitors.

Mr. VOIGT. The sheep I referred to showed that 75 per cent of the information came from competitors.

Now, Mr. Bertram, you are a practical packer?

Mr. BERTRAM. Yes; I have been at it for 33 years.

Mr. VOIGT. If you were told that the percentages of purchases of the five big packers for a great many years past had been at a uniform percentage—that is, that each one of those five large packers had for a great many years purchased a given percentage of the stock handled in interstate commerce, and that it had not varied 1 per cent from that given percentage in any case, would that surprise you?

Mr. BERTRAM. That is a pretty hard question to answer, sir. I do not see how, in ordinary business—there must surely have been some variation.

Mr. VOIGT. Well, there has not been. I am asking you as a practical business man now, whether you would expect to find that sort of thing in the ordinary course of business?

Mr. BERTRAM. I should expect some variation. I should expect the percentage to be comparatively close, because the Big Five, I believe, are watching each other pretty closely; they are not losing any business, if they can help it. They are all out after it, and from what I know of the branch-house managers, if any man is not up to the mark during a given time, I know he gets raked over the coals. I know the district manager is on his toes all the time for the sales in the district, and if the sales in his district falls down to any extent he is raked over the coals, and is after his managers, so that I imagine that the percentage would stay pretty close, or just about the same.

But I am rather surprised to hear you say that the percentage is just the same year after year. I can hardly believe that. There must be some variation. I would look for some variation.

Mr. VOIGT. It is pretty hard to believe, but it is true. I want to find out from you, as a practical business man, whether you would expect, in the ordinary operation of business, that five competing concerns in the packing business would each buy the same percentage of live stock over a given number of years?

Mr. BERTRAM. I should expect them to remain fairly close.

Mr. VOIGT. Would you expect them to remain closer than the packers at Baltimore?

Mr. BERTRAM. Yes; and for this reason, that I do not think that the small packers have quite the organization that the bigger ones have. They take one man with more initiative than the other—you know the individual counts for more in the small business than in the larger one, and where one man will double and quadruple his business in a given number of years in a small business, it is pretty hard for the bigger man to do that.

Mr. VOIGT. You would not say that initiative does not count for anything in the big five?

Mr. BERTRAM. I think it does; it does count with every one of them.

Mr. VOIGT. Here are five concerns engaged in the same line of business; wouldn't you expect, in the course of some years, that the one would forge ahead of the others to some extent?

Mr. BERTRAM. To some extent, yes; to some extent; but, as I said before, I should expect them to remain pretty close, because I do not think that Armour is going to let Swift get very far ahead of him, and I do not think that Swift is going to let Armour get very far ahead of him.

Mr. ANDERSON. But you would look for some variations during the course of a number of years?

Mr. BERTRAM. Yes; some; but I would look for them to remain substantially the same.

Mr. VOIGT. If you found no variation over a course of years, how would you explain it?

Mr. BERTRAM. I could not very well explain it.

Mr. VOIGT. Well, would any suspicions arise in your mind?

Mr. BERTRAM. I could not say that there would, because, as I say, I would expect to see them remain fairly close. How close are they, Mr. Voigt? They do vary within 1 per cent or so, don't they?

Mr. VOIGT. It is a fraction of 1 per cent.

Mr. BERTRAM. I say I should look for some variations, I think.

Mr. VOIGT. Now, to be square about this thing, you would look for more than a fraction of 1 per cent variation over a course of years?

Mr. BERTRAM. I don't know. You gentlemen are not, probably, as well acquainted with the way these fellows go after the business as we are.

Mr. ANDERSON. They have been telling us about it for a long time.

Mr. BERTRAM. I do know that the central office in Chicago follows the business pretty closely, and if there is any falling down it has got to be made up.

Mr. VOIGT. These gentlemen follow their business as you do yours?

Mr. BERTRAM. Yes, sir; we have a number of houses.

Mr. VOIGT. And your business does not show any such stable condition?

Mr. BERTRAM. As I said before, in spite of our development, it is a good deal—of course, in the last few years our business has increased in dollars and cents, due to the large prices prevailing, but the volume of our killing has increased surprisingly little in the last few years. We have had spurts when we have doubled our killing.

Mr. VOIGT. You are now, according to your testimony, building a new plant?

Mr. BERTRAM. No; we have started in the pork business in Baltimore and are remodeling a portion of our plant there to accommodate this business.

Mr. VOIGT. And you are taking that business on now in Baltimore?

Mr. BERTRAM. Yes; formerly we packed hogs only in Philadelphia.

Mr. VOIGT. And you expect when that plant is ready for operation——

Mr. BERTRAM (interposing). It is ready now; we are operating it.

Mr. VOIGT. And you expect now to buy a greater percentage of the stock that comes into that market there than you did heretofore.

Mr. BERTRAM. Oh, yes; indeed, we do.

Mr. VOIGT. And you did say that there are some concerns in Baltimore that are killing no more to-day than they did 10 years ago, and others have doubled and trebled and quadrupled their business?

Mr. BERTRAM. Some small butchers have become fairly large killers; yes, that is a fact.

Mr. LIGHTFOOT. Mr. Bertram, the question that the Congressman was just asking you about the increase of percentages, take one of the smaller of the large packers, that slaughters 3,000,000 head of hogs a year; 1,000,000 sheep and 1,000,000 head of cattle, and they increase that volume 1 per cent, that would mean that they would have to kill 30,000 more hogs?

Mr. BERTRAM. Thirty thousand more hogs; yes, sir.

Mr. LIGHTFOOT. And 10,000 more cattle, and 10,000 more sheep in one year?

Mr. BERTRAM. Yes, sir.

Mr. LIGHTFOOT. Now, from your knowledge of the market conditions, would he find it easy, or a difficult task to expand his business so as to market that additional 1 per cent at a profitable figure in competition with the other packers?

Mr. BERTRAM. We have found all of our new business difficult to market, because an outlet has to be found for it.

Mr. LIGHTFOOT. You have to find a market for it?

Mr. BERTRAM. Yes; take it away from some other fellow, and he doesn't let go of it very easily.

Mr. LIGHTFOOT. Wouldn't it be difficult for a packer of the size I have mentioned to find an outlet for that additional amount in a year, in addition to the stuff he is already handling; say, 30,000 hogs and 10,000 cattle?

Mr. BERTRAM. It would be more than that, wouldn't it, because 1 per cent of his kill is one-fifth or one-sixth per cent of the big packers' kill; you are talking about raising his percentage rate, as the Congressman said, on the percentage of the total kill. I take it, it would mean 200,000 hogs.

Mr. LIGHTFOOT. Yes; that is right. That is 4,000 more a week.

Mr. BERTRAM. That is 4,000 more a week, and that is considerable business. A man that is doing 4,000 hogs a week is doing about a seven or eight million dollar business to-day: isn't he, Mr. Smith?

Mr. SMITH. Yes.

Mr. BERTRAM. That is a considerable business.

Mr. ANDERSON. You think that is perfectly normal, in an ordinary business, considering the fluctuations of the markets, considering that you are buying in all sorts of markets all over the country, that in 30 years there should be a fluctuation in these percentages of a fraction of less than 1 per cent?

Mr. BERTRAM. Now, let me understand you there.. You don't mean a fluctuation of 1 per cent in the individual packer's kill? You mean a fluctuation of 1 per cent in his proportion of the total kill: that is a different proposition.

Mr. ANDERSON. I know it is.

Mr. BERTRAM. And I say in answer to it that I am not much surprised at it, because I have been frequently surprised to see how close our percentages come out year after year. You have a period of two or three months, or three or four months, where you are killing very heavy, and yet at the end of the year it is surprising how closely one year's kill will approximate another. For instance, an increase of 1 per cent in his proportion of his allotment would mean 5 per cent in the individual packer's kill.

Mr. ANDERSON. That is true, but you know how much business you have got and you aim in the course of the whole year to kill so many cattle; that is to some extent a matter of design?

Mr. BERTRAM. You are always losing some business; some of it is always getting away from you and a good deal of your energy is expended in getting new business.

Mr. ANDERSON. But the amount of business you do every year is not a matter of accident; you are not going out and buying a lot of cattle and hogs haphazardly?

Mr. BERTRAM. Not at all; we are taking care of what business we have or hope to have. Of course, we never know just how many we are going to be able to sell. We hope to be able to sell so many; that is a matter of judgment, and that is why, when the market is good, possibly we buy 600 or 700, if we can get them right.

Mr. VOIGT. How many cattle and hogs did you slaughter 10 years ago?

Mr. BERTRAM. We were killing only about 1,500 hogs in Philadelphia at that time. Our cattle kill was about what it is now, ten or twelve hundred; 10 years ago, we were killing an average of 350 a week during the year. Three hundred and fifty, I guess, is a fairer figure; that is, in 1910. We are doing a little better, now; we have increased our beef business considerably; we have gotten up from 350 to 400.

Mr. VOIGT. In 10 years?

Mr. BERTRAM. In 10 years.

Mr. VOIGT. How about your hog business?

Mr. BERTRAM. Well, our hog business—we have increased that in Philadelphia.

Mr. VOIGT. I mean your total business everywhere?

Mr. BERTRAM. We are killing to-day 5,000 as against 1,500 then; this is a new business for us, you know.

Mr. VOIGT. Your business has prospered considerably in 10 years?

Mr. BERTRAM. Yes; we have developed very much.

Mr. VEEDER. Mr. Bertram, you are in competition at all the places where you are doing business with the large packers? The five packers?

Mr. BERTRAM. Yes; they have large branch houses in Wilmington, and in Baltimore, and we sell in Washington against them, and at Philadelphia.

Mr. VEEDER. You are in competition with them; have you observed whether they are in competition with each other at those places?

Mr. BERTRAM. From all I can get, they are very much in competition with each other. I know a good many of these branch-house managers over in Baltimore, particularly.

Mr. ANDERSON. I understood you to say you sell in Washington?

Mr. BERTRAM. Yes, sir.

Mr. ANDERSON. Do you visit the branch houses of the packers here?

Mr. BERTRAM. In Washington?

Mr. ANDERSON. Yes.

Mr. BERTRAM. No; I am not familiar with the branch houses here. We have two salesmen that take orders for our pork and beef, and we send it over from Baltimore in large vans and trucks.

Mr. ANDERSON. Does he, your salesman, visit the plant of the Big Five, or the branch houses here, of Swift & Co. and Armour & Co.?

Mr. BERTRAM. Oh, yes; we have helped them out, and sold them stuff, loins of pork.

Mr. ANDERSON. Does he visit these branch houses regularly, to see what they have on hand, and what they are doing?

Mr. BERTRAM. No; I don't think he does. He takes orders. Just how often he goes to these western branch houses I could not tell you, Mr. Anderson. From the fact that he has sold some fresh pork to the western branch houses in Washington, I should imagine that he keeps in touch with them.

Mr. VOIGT. Do you ever at these monthly meetings that you have, or at other meetings, complain to each other that one is taking an unfair advantage over the other in buying more than a certain allotment of hogs and cattle?

Mr. BERTRAM. I have never heard a word of complaint on that live-stock proposition. I have heard complaints that fellows were cutting prices like the dickens. I have never heard anything on that live-stock end. We are all rather large buyers throughout the country at Cincinnati, Louisville, Indianapolis, and other places.

Mr. ANDERSON. You are also local buyers?

Mr. BERTRAM. Yes; we have a local market and we buy some locally; I think possibly we buy more than any other packer there and I am sure we do not average 250 of our kill in the Baltimore market.

Mr. VOIGT. Does the percentage of hogs which you buy in the Baltimore market vary from month to month?

Mr. BERTRAM. Oh, yes; we have had weeks where we bought practically no hogs in Baltimore. They may have a light run over here. These commission men in the Baltimore market have orders from the small packers from whom they buy—standing orders each week—and as we are only occasional buyers we do not get the preference. By small packers I mean men who buy, say, 20 or 30 or 40 hogs a week.

Mr. VOIGT. Some weeks you do not buy any in the Baltimore market?

Mr. BERTRAM. Some weeks we do not buy any, and some weeks I do not think we buy over 50. I do not think in any week we bought over 100.

Mr. VOIGT. What is the highest run over there?

Mr. BERTRAM. I have seen a run posted on the board as high as 8,500, but the majority of those hogs were shipped from the West and consigned to the Baltimore market; they all figure in that total receipts, but are not all on the Baltimore market.

Mr. VOIGT. I mean, what is the highest available number there for the Baltimore market?

Mr. BERTRAM. I could not tell you that. I suppose there have at different times been as many as three or four thousand available for the local trade. That is, hogs that come in and were not sold hogs. As a rule, I don't think there are more than 1,500 to 3,000 on that market; do you, Smith? We have only one day a week, you see.

Mr. SMITH. There have been as many as 10,000 hogs there.

Mr. BERTRAM. Not on the market?

Mr. SMITH. Yes; they came in for sale on Monday.

Mr. BERTRAM. I did not know that we had that many. I never saw over 9,000. We order our hogs out West.

Mr. VOIGT. I am talking about hogs for sale; not hogs that are shipped in there to you packers.

Mr. BERTRAM. I do not believe there are over 1,500 or 2,000 hogs there every Monday.

Mr. SMITH. You are mistaken about that; they get in about 10,000 on a Monday.

Mr. BERTRAM. Well, may be; but that is unusual.

Mr. SMITH. It is unusual.

Mr. BERTRAM. We do not get any of them until the local market is supplied.

Mr. SMITH. They come in from Philadelphia and the other near-by markets, but even then there is live stock shipped in from the West to Baltimore and then reassorted.

Mr. VOIGT. Well, whatever hogs do arrive at the market there which are for sale are bought up by you Baltimore packers?

Mr. BERTRAM. Some are bought by the Philadelphia packers; some of these Baltimore commission men have telegraph or telephone orders from those Philadelphia men to buy for them; to pick up hogs for them.

Mr. VOIGT. Then, I will say from Philadelphia and adjacent cities.

Mr. BERTRAM. Yes, sir.

Mr. VOIGT. And then you go in and buy whatever you want?

Mr. BERTRAM. Yes; if we have what we want and we can get them right. That is the controlling factor.

Mr. VOIGT. You do not attempt to buy any given per cent of the available hogs?

Mr. BERTRAM. No, sir; no attempt whatsoever; we never buy over 300. I think we have bought as high as 300 or 400 but that is exceptional. We get most of our hogs from the western and southern markets.

Mr. VOIGT. That is all I care to ask.

The CHAIRMAN. That is all, Mr. Bertram, and we are very grateful to you.

Without objection the committee will now stand in recess until Monday next, at 10 o'clock a. m.

(Thereupon at 5.15 o'clock p. m., the committee stood in recess to meet on Monday, March 22, 1920, at 10 o'clock a. m.)

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

MONDAY, MARCH 22, 1920

PART 23

WASHINGTON
GOVERNMENT PRINTING OFFICE
166762 1920

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

Committee on Agriculture,
House of Representatives,
Monday, March 22, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The Chairman. Are you ready to go on, Mr. Rainey?

Mr. Rainey. Yes, sir.

The Chairman. Whom have you this morning?

Mr. Rainey. I think we will hear from Mr. Weld.

The Chairman. Very well, you may proceed.

STATEMENT OF MR. L. D. H. WELD, MANAGER COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO, ILL.—Resumed.

Mr. Weld. Mr. Chairman, when I stopped a week ago I was giving some specific examples of the unfairness of the Federal Trade Commission's report, showing that the report could not be relied on as a basis for information about the packing industry and that it could not be relied on as a basis for legislation. I had already discussed the approximately constant percentages which I showed were not the result of agreement. I had taken up the question of part purchases and split shipments and explained what they meant, and showed that what is done under those headings is perfectly legitimate; that is to say, the Federal Trade Commission gives no evidence whatever of collusion, and that especially in the case of split shipments the Federal Trade Commission quoted parts of telegrams to bear out its contention and omitted other parts of the same telegrams which showed opposite conditions.

I want to take up briefly this morning, first, the question of wiring on.

Mr. Tincher. Before you go to that subject, are you going to call attention to the telegrams that they only quoted a part of and put in the hearing the other part?

Mr. Weld. Yes, I did that.

Mr. Tincher. I missed it.

Mr. Weld. This matter of wiring on is treated in part 2 of the Federal Trade Commission's report, beginning on page 89. It is also discussed in Swift & Co.'s Analysis and Criticisms on page 52.

As you will probably understand, this practice of wiring on is where a shipper sends live stock to one market and if he is not satisfied with the bid of the first market, he ships them on to another market, and the allegation is that the packer's buyer in the first market wires on to the second market. It is true that that often occurs, that the packer's buyer in the first market wires on to the packer's buyer in the second market, although, in view of the criticisms that have been made of that practice, Swift & Co. has discontinued it to a considerable extent since 1916. The Federal Trade Commission's report tries to make out that there is collusion among the packers in this practice of wiring on, although it furnishes no evidence whatever that there is collusion. It also says, on page——

Mr. Young (interposing). Let us see right there. Have all the packers the same system of wiring on?

Mr. Weld. Yes, sir; I think so.

Mr. Young. It would look a little bit peculiar if there was an understanding or agreement as between the packers to act in concert on this proposition, that is, if they all came to the same conclusion at one and the same time?

Mr. Weld. They do not necessarily wire on at the same time. They do not necessarily know, for example, in Kansas City what bids the other packers have made; they may possibly hear from the commission men what bids they have made and possibly wire that on at the same time, but, of course you understand, this matter of wiring on is a perfectly legitimate practice done in every business. For example, if——

Mr. Young (interposing). I do not agree with you on that proposition. My mind is open to understand why you adopted that policy. I can not understand, if I am a shipper of cattle and ship to Fort Worth from my home and am dissatisfied with the price bid, why I have not a perfect right to take my cattle and ship them to Kansas City without having you purchasers at Fort Worth and also at Kansas City forestall me in the Kansas City market by sending word to that market that "Young is dissatisfied with the price offered and he is coming to your market." There is only one purpose that I can see in doing that and that is to forestall me in the market at Kansas City.

Mr. Weld. No, sir; it is not to forestall you at all. This is just a matter of market information. That is just the same as they do here. Your department store here in Washington, Woodward & Lothrop, their buyer in New York bids on a bill of goods in New York and the seller of those goods is not satisfied with the bid that the buyer in New York makes and he says, "I will come over to Washington and come to headquarters and try to sell these goods." The buyer in New York wires to Woodward & Lothrop stating what he has bid on those goods. That is done in every business. We do not do it in any way to forestall the shipper. The goods are sold on the second market for what they are worth, irrespective of what the original bid was. I can show you from the year——

Mr. Young (interposing). Why the necessity of the packers adopting that custom of wiring ahead if it cuts no figure from the packer's point of view; why make the producer dissatisfied by adopting a custom like that? In other words, do you not know that it does result in the producers feeling like something was being put over on them?

Mr. Weld. Yes; I know that is true, and that is why Swift & Co. has largely discontinued it. When he ships from Fort Worth to Kansas City we do not wire to Kansas City; we used to, but the buyer in Fort Worth will wire to our head buyer in Chicago. We have to do our buying very, very carefully; we have to keep in constant touch with all the markets. A nickel means a whole lot to us and a quarter makes a difference between a profit and a loss. So our head buyer in Chicago keeps in the closest touch he can with all the markets, studying them very carefully every minute, and he gets reports of all purchases, bids, etc.

Mr. YOUNG. I can understand that you probably must do that, but this fact of wiring on that Young, for instance, has shipped to Fort Worth 500 head of cattle and we have offered him so much, and he is going to the market at Kansas City. The very fact that you do that enables you to control the market at Kansas City and to see to it that the bid is in line with the Fort Worth market?

Mr. WELD. It does not give us any power whatever to control the market at Kansas City, but it gives to our head buyer in Chicago a good line on the judgment of our buyers in the different markets, and it is one of the best lines we have.

Mr. YOUNG. That being true, you know that your Kansas City buyer is not going to bid out of line with the bid that you made at Fort Worth?

Mr. WELD. No. He makes the bid on what the conditions are at Kansas City at the time the goods reach Kansas City.

Mr. YOUNG. Knowing that the producers are dissatisfied with that kind of custom, feeling that they are forestalled from trying at other markets, by virtue of that kind of a custom, do you not think that it might be a mighty good thing to ease up the feelings of the producers by all the packers stopping that practice?

Mr. WELD. I think that it would be poor business to stop that altogether. Swift & Co., as I have said, stopped it to a large extent.

Mr. YOUNG. It might be poor business for the packer, but would it not be a good thing for the producers?

Mr. WELD. Stop doing a perfectly legitimate thing just because there is a prejudice? Is there not any hope of being able to get the people to see that this thing is done honestly and above board?

Mr. YOUNG. I think it would be a very difficult proposition to make me as a producer to ever come to the conclusion that I was getting an honest and square deal and getting the value for my stuff when you are forestalling me by wiring ahead, and that the purpose was not to control the markets.

Mr. WELD. We are not forestalling you and we are not controlling the markets. It is done so that we will have information as to just what conditions are in the different markets. It is extremely important that we do that.

Mr. YOUNG. Say that I ship 500 cattle from Kaufman, Tex., to Fort Worth, and you make me a bid, representing Swift & Co., of the packers for the cattle. I am dissatisfied because I find on that bid I will not make any profit out of my investment and out of my handling of these cattle. So, I decide that I will try Kansas City and go ahead and ship to Kansas City out of Fort Worth. Why not let that market bid whatever the market will justify——

Mr. WELD (interposing). They do.

Mr. YOUNG. Rather than to wire ahead and say, "Young has been bid this, that, or the other price for 500 head of cattle," could there be any other purpose, so far as I can see as a producer, than that you have wired ahead to see that I do not get any more at Kansas City than I have been offered at Fort Worth?

Mr. WELD. That is just due to suspicion. We do not wire so that you will not get any more in Kansas City than the bid in Fort Worth.

Mr. YOUNG. For the life of me I can not see—and it makes me suspicious—the object of the packer other than to see that I do not get any more than I had been offered.

Mr. WELD. The facts are that is not the result, although the Federal Trade Commission says that it is the result.

Mr. YOUNG. I think that I am a fellow of ordinary intelligence, and I think that you are bound to admit that men must look at it from the point of view that I am putting it to you.

Mr. WELD. They do look at it with suspicion, and that is the reason we have very largely stopped it. As a matter of fact, when a shipment of cattle is forwarded from Fort Worth to Kansas City, our Kansas City buyer is not informed as to what the bid in Fort Worth was. He used to be. Our head buyer in Chicago is, and if there should be any great difference one way or the other between the bid in Fort Worth upon the goods and the bid in Kansas City, then our head buyer would want to weigh the matter, and if the bid was much lower or much higher in Kansas City, then the head buyer in Chicago would look into the matter and see what was the trouble.

Let me tell you another thing. As a matter of fact, if the markets remained the same from day to day, if they should not change at all, the shipper would lose by shipping to another market, because there is the freight rate to pay and there is the shrinkage that he suffers in his cattle. The price varies in different markets as you move toward Chicago and toward the big consuming markets. That is, the price at Fort Worth will be, say, $15 for a particular grade of cattle and in Kansas City at the same time it will be, say $15.50—these are not exact figures, but approximate—in Chicago $15.75, in Buffalo it will be $16.75, and in New York City the market will be $17; that is, the price rises as you get to the big centers o consumption. The price is lower as you get from those centers o consumption, just as the price of wheat in Kansas depends on the price in Liverpool, minus the freight rate, the cost of carrying storing, insurance, etc., in getting it to Liverpool. The difference between Fort Worth and Kansas City in the price is not sufficient to allow a man to forward cattle from Fort Worth to Kansas City, pay the freight rate, and take the shrinkage on his cattle and make any money. Normally he ought to lose money. If he is bid a higher price in Kansas City than the freight rate and the shrinkage, it is because the market in the meantime has gone up. You see what I mean?

Mr. YOUNG. I think I get that point.

Mr. WELD. That is important in connection with some of the points which you have made.

Mr. YOUNG. I will get to that point. For the life of me I can not see why, when I have a packing establishment within 60 miles of my stock pens, I, as a producer of cattle, should not get at Fort Worth the same price that would prevail at Kansas City, plus the freight rate?

Mr. WELD. Minus the freight rate.

Mr. YOUNG. Yes; minus the freight on the cattle.

Mr. WELD. You do, practically. That is, you get—I have not the exact figures, but the freight rate from Fort Worth to Kansas City would be about 40 cents a hundred and the difference in the price would be somewhere around the same amount, perhaps a little more, perhaps 45 or 50 cents. That is, the price in Fort Worth would be

45 or 50 cents lower for the same cattle on the same day than in Kansas City. If we buy any stuff in Fort Worth we have to pay the freight rate on the finished product to the East. Texas is a surplus cattle-producing State, and we have to ship beef out of Texas.

Mr. YOUNG. What is the freight rate on the finished product?

Mr. WELD. On the finished product, I do not know. We have some exact figures.

Mr. CHAPLIN. We can put them in the record.

Mr. WELD. It is something like that, 35 or 50 cents on live cattle from Fort Worth to St. Louis; I think that is the point that I got the figures for. On meat products it is about 50 cents, about one-third; it generally runs a third or a half higner on dressed beef.

Mr. YOUNG. The figures on dressed beef. On shipping the cattle on the hoof you have a lot of waste that you pay for that is discarded when you ship the finished product?

Mr. WELD. Yes, sir; that is true. And for that reason the difference in price on live animals is not as much as it otherwise would be, because the rate on dressed beef is taken into account in the adjustment of these differentials between the markets and other competition.

Mr. YOUNG. That is one of the things that I have never been able to understand, with the oil-meal producers almost neighbors, the highest type of the finished stuff, that the cattlemen who sell feed find it necessary to go to St. Louis or Kansas City instead of going 60 miles to Fort Worth.

Mr. WELD. I will tell you. At Fort Worth, or at any plant, we have to get an assortment of all grades of cattle and of all grades of meat, both cattle and hogs—we have to get an assortment of animals, and this assortment of grades of different animals at Fort Worth, the bulk of that stuff is rather poor stuff.

Mr. YOUNG. That is exactly the point of my inquiry, why some of that stuff has to go to St. Louis or Kansas City?

Mr. WELD. At certain times when good stuff comes in there in large quantities it is difficult for us to take care of it and we have to ship the product a thousand miles. We buy all the fat stuff that comes there that we can afford to buy, considering what it will cost to lay it down in the eastern markets. It is true because there is comparatively little trade for fine meat down there in Fort Worth that the market there is not as good as in a larger market like Kansas City and St. Louis. Whether the shipper really gains anything by shipping to St. Louis or Kansas City I do not know. We buy all that stuff that we can possibly use in our Fort Worth plant. We have the same thing happening in St. Paul. The shippers of fat stuff in Minnesota instead of shipping to St. Paul like to ship to the larger market at Chicago, because they feel that there is at least a larger number of buyers for the fat stuff and a better chance of selling that stuff there to advantage. If we did not have a good-sized plant down in Texas, with a branch-house distributing system in the East, if there were no packer—large packer—with a good distributing system in the East, they could not handle that stuff at all in Texas.

Mr. YOUNG. I am sure of that.

Mr. WELD. We buy all the fat cattle that we can in connection with the other grades that we buy, but if a large supply of fat stuff comes to Fort Worth, it is almost impossible for us to take care of it, but always we can in Kansas City, St. Louis, and Chicago, where there are much larger quantities of all kinds and quality. It is true, undoubtedly, that the market for fat stuff at Fort Worth is not as good as it is in Kansas City, St. Louis, and Chicago, where there are more people who want that fat stuff, more people who have a definite trade in it, and who are willing to bid on it. We buy all of that stuff that we can afford to buy and bid all that we can afford to pay.

Mr. YOUNG. What strikes me is the economic waste to the fellow who desires to continue in the fattening of cattle in my section of the country, when he goes to that expense and trouble, and knowing that he has got these big establishments there only 60 miles away, and yet he has to make this long shipment to St. Louis or Kansas City, 750 to 1,000 miles, and to stand the higher freight rate on the live stock?

Mr. WELD. To get a much higher price.

Mr. YOUNG. A lot of his cattle get crippled and have to be sold as cripples, the shrinkage of his cattle—that looks like an economical waste to me that necessarily discourages men from engaging in the productive end of the business.

Mr. WELD. I am not sure that there is an economic waste. I am not sure that Texas is the best place to fatten cattle. Texas is primarily a breeding State.

Mr. YOUNG. Let us see right there a moment. The western end, that is true, it is the breeding end, they have great ranch properties out there. But you must remember that Texas is an empire.

Mr. WELD. I know.

Mr. YOUNG. And you go over in my section of the State and I can carve out of the central portion of the State, what we call the black-land belt, a State as big as the State of Iowa, where we produce the feed stuff for the cattle, and the oil meal produced, much of it, goes to my friend Haugen's State and other States in the Northwest, why is not that section right there, next door neighbor to the breeding ground, an ideal place for finishing fat cattle, and should it not be encouraged?

Mr. WELD. The principal difficulty is that it is 1,500 miles from the consuming section. If you can fatten cattle nearer the consuming section, it is much better. The point is that we have a plant there and are developing it just as fast as we can. When it comes to Fort Worth we buy just as many fat steers as we can possibly afford to buy, and we market the meat a thousand or more miles away from Fort Worth. Of course, you understand that when the shipper in Texas sends his stuff up to Kansas City he gets a higher price at Kansas City or St. Louis by approximately the freight rate; the difference in the market is not much anyway.

If you did not have the large packer and the distributing system you could not market that stuff in Fort Worth at all. It has always been our experience that in opening up a new territory that it has been difficult to find the best kind of market for every grade of stuff that comes in. It is true that the demand for the best stuff down at Fort Worth and our ability to handle the best stuff is not what we would like it to be or what you would like it to be or what it will be someday.

Mr. YOUNG. But it does strike me still that the ideal condition would prevail in this section that I am speaking of, where we produce the feed, with our next-door neighbor producing the cattle and able to go to Fort Worth and buy these feeders, the ideal condition would prevail if they could market their finished product without having to stand this long freight haul and much delay frequently.

Mr. **Weld**. As a matter of fact, they can, Mr. Young. I will say this, it is very questionable whether it pays them to ship it to St. Louis or Kansas City. We are taking care of it the best we can at Fort Worth. We handle it just as economically as anybody knows how to do, and we market it in the eastern markets just as economically as anybody knows how to do, and we bid for it all that it is humanly possible to bid, considering what we can get for it after killing it and shipping it East.

Mr. **Young**. The inquiry comes back—my people are people of average intelligence, I think, and they are presumably as up to date stock men and farmers in my section as anywhere—the inquiry comes back, why is it that men who want to remain in the business, some of them inheriting that desire from their ancestors—the stock men are not below age; they are good business men, with the feed product produced right there in the oil mills, why is it that they must find a market away out to the Northwest and possibly across the waters—why that condition; why is it that a man can not make a success?

Mr. **Weld**. I do not know, except in general terms. The conditions are not as good as they are in the corn belt for feeding cattle, and I doubt if they make quite as good cattle as in other States. What do you say, Mr. Chaplin?

Mr. **Chaplin**. I rather think not, although I do not believe that Mr. Young will agree with me.

Mr. **Young**. No, sir. I think that I have seen as fine cattle go out of my town as there is in the world.

Mr. **Weld**. The conditions are better than they would be if you did not have the large packer with a big distributing organization. He gets more out of them in the market, that is, in the distant market, than anybody else could. The conditions have been improved by having the packer down there.

Mr. **Young**. The fact remains, and I speak from personal knowledge, that people have quit the business in very large numbers.

Mr. **Weld**. Some of them, to a certain extent.

Mr. **Young**. I am speaking of the black land belt. Take my home county; we make 75,000 bales of cotton; we have three oil mills in the county. Out of each bale of cotton there are 1,500 pounds of seed cotton as it comes from the cotton field; 1,000 pounds of seed and the other 500 pounds is the lint cotton; so out of each two bales you get a ton of seed that goes into this meal and hull. They are operating possibly 50 or 60 mills. Yet we can not operate those feed pens successfully. They are men of good business intelligence, and yet they have to find an outlet for this feed by shipping to the corn belt and shipping also the feed cattle?

Mr. **Weld**. It is probably more profitable to do that than to feed the cattle and ship them. The point is that we are absorbing all of the fine stuff that we can possibly handle in Fort Worth and are paying all that it is possible to pay, considering what we can get out of it after shipping to distant markets. I think we can show beyond the possibility of any doubt that you have no case or no grievance against the packers for this wiring on.

The CHAIRMAN. Mr. Owen, the publisher of the Farm, Stock, and Home Journal, of Minneapolis, Minn., has requested that we grant him five minutes to discuss the provisions of the bill during the day. Is there any objection?

Mr. WILSON. Now?

The CHAIRMAN. Probably at 2 o'clock.

Mr. WELD. How long?

The CHAIRMAN. For five minutes.

Mr. WELD. That will be all right. I want to try to stick to this matter and finish up, if I can.

Mr. WILSON. I would suggest 4 o'clock or 4.30 o'clock. Will that suit you, Mr. Marsh?

Mr. MARSH. He is going to the train.

Mr. WILSON. What time is he going to take the train?

Mr. MARSH. About 5 or 6 o'clock. Two o'clock would be better. You can make it later if you please.

Mr. WILSON. Then he could come here and go from here direct to the train.

The CHAIRMAN. Tell him to come about 4.30 o'clock. We will be pleased to hear him at that time.

Mr. TINCHER. Before you leave that point, if I ship cattle to Kansas City, I naturally want them sold on the market. I depend on my commission man to know the market price. Swift & Co. depends on their buyer to know the market price, and if I am dissatisfied with the market price at Kansas City, I have the privilege of loading my cattle and shipping them on to Chicago, thinking that I can sell them at the market price. I do not know just what part of the Federal Trade Commission's report you object to. As I understand, the practice is to wire the price bid on the cattle in Kansas City?

Mr. WELD. Yes; the buyer in Kansas City wires to our head buyer in Chicago. There is no collusion among the packers in doing that.

Mr. TINCHER. As I understand the Federal Trade Commission's report, one complaint which they made was that you were able to do that by reason of owning the stockyards in Kansas City, and that the stockyards company would furnish you the numbers of the cars that I shipped my cattle in so that you had no trouble in identifying my cattle?

Mr. WELD. In so far as we bid on the stuff, the stockyards company knows nothing about the price bid on the cattle.

Mr. TINCHER. I can not understand how you can say that that practice is necessary, to wire on what I was bid on my cattle in Kansas City, when I was entitled to sell them in that market and was also entitled to sell them in Chicago and to have a market bid for them? How can you justify wiring on the bid made in Kansas City; how can you say that it was proper?

Mr. WELD. Why not? It is done in every business. Why should we not know what Kansas City bid?

Mr. TINCHER. I will give you an illustration: Suppose hogs have been bought in Omaha on a market much higher than the market in Oklahoma City and shipped to Oklahoma City. If I had hogs in Oklahoma City and I was not bid the market on them and I knew that it was no use to forward them from Oklahoma City, because there would be a wire on, and still the packer was buying those hogs on an advancing market in Omaha and shipping them to Oklahoma City, it would look to me like there was something more than the free and easy demand in control of the market?

Mr. WELD. If the Omaha market is higher it shows conclusively that the situation is one of supply in accordance with the conditions in the different markets.

Mr. TINCHER. Let us see.

Mr. WELD. Just a moment. If a packer buys in Omaha and ships to Oklahoma City, and that is an extremely unusual thing, the only possible reason for doing that would be the absolute need of getting hogs to kill in Oklahoma City to keep the plant running efficiently. He figures that he will probably lose less money by buying the hogs in Omaha and shipping them to Oklahoma City and keeping his Oklahoma City plant running. You cannot run a packing house without hogs.

Mr. TINCHER. You claim that the supply and demand make the market?

Mr. WELD. Yes, sir; absolutely.

Mr. TINCHER. I live tributary to Oklahoma City, but I do not ship to Oklahoma City my hogs. Why? Because the market in some other place is from 45 to 50 cents higher.

Mr. WELD. But you have to pay the freight to the other market.

Mr. TINCHER. But, as an economical proposition, I can better afford to ship to the other market.

Mr. WELD. That may be.

Mr. TINCHER. If I ship to Oklahoma City there would be no wiring on, because it is the first market; you would not wire to Kansas City if I shipped to Oklahoma, but you would still wire to the head buyer in Chicago what you bid on the cattle in Oklahoma City. That is the practice?

Mr. WELD. Yes, sir.

Mr. TINCHER. You claim that the situation is controlled by the supply and demand, and yet you say that you take the live animal back to Oklahoma City to keep the plant in operation?

Mr. WELD. If such a situation occured it would be a very temporary and exceptional one, when the market got out of line to that extent. Competition between the markets keeps them very nearly in line all the time.

Mr. TINCHER. Let us see. You are supposed to pay me in Oklahoma City, so far as the hogs that I ship there are concerned; what you would pay in Omaha or at some other point, less the freight?

Mr. WELD. Approximately that.

Mr. TINCHER. The market in Oklahoma would be just that much below?

Mr. WELD. It works that way, approximately, except when they get out of line. I can not myself conceive of shipping stuff back from Omaha to Oklahoma City. If that is ever done it would be in very small quantities and it would be a very unusual occurrence. If Oklahoma City is not buying any hogs the price of hogs at Oklahoma City would get out of line with the other markets, but not more than the ordinary differentials as based on the freight rate, but if they could not get hogs at all, they might ship from some other market where they were paying a higher price.

Mr. Tincher. Before the Federal Trade Commission made its report the custom was to wire on to the market where a man shipped the stock?

Mr. Weld. Swift & Co. discontinued that even before the Federal Trade Commission's investigation, along in 1916.

Mr. Tincher. But you still have the custom of wiring to the head buyer of the company in Chicago?

Mr. Weld. Yes, sir.

Mr. Tincher. And you handle it from that end of the line?

Mr. Weld. That is just for his own information; that is not any roundabout way.

Mr. Tincher. And that wire goes forth the minute the man forwards his stuff on?

Mr. Weld. Yes, sir.

Mr. Tincher. When he forwards it?

Mr. Weld. Yes, sir.

Mr. Tincher. No one will forward his stuff on if he uses good judgment when he knows that that condition exists?

Mr. Weld. That is possibly true, but this prejudice is unfounded.

Mr. Young. Permit me to ask you one question right there. If you find it necessary to wire on in order that these markets may be kept in line, one with the other, why do you find it necessary to say, "Young shipped 500 cattle to Fort Worth. He is not satisfied with the price and he has forwarded them on to Kansas City?" Why not give the general condition of the market instead of singling me out as the fellow who is fixing to ship the cattle to Kansas City?

Mr. Weld. We are not singling you out.

Mr. Young. But you would use my name and give the place that I ship the 500 cattle to?

Mr. Weld. Yes, sir.

Mr. Young. If I decided to ship to Kansas City you would use my name?

Mr. Weld. Very likely.

Mr. Young. Why?

Mr. Weld. So as to identify the shipment and to know what the relative bids were in the two markets. That is one of the best gauges that we have of the relative conditions in the two or more markets in which those cattle were offered for sale.

Mr. Rubey. May I ask a question right there?

Mr. Weld. Yes, sir; certainly.

Mr. Rubey. It seems to me that you would wire on his name and his cattle in order that when he got there he would not get any more than he would have gotten at Fort Worth and therefore in the future would not ship his cattle on to Chicago.

Mr. Weld. That is what the Federal Trade Commission said.

Mr. Tincher. That is the way it looks to the shipper, but Mr. Weld says that that is unreasonable, and that it is a wrong conclusion to arrive at.

Mr. Weld. If the market does not change at all in the meantime the shipper will lose in forwarding his cattle from one market to another, because the differential between the markets is not sufficient to cover both the freight rate and the shrinkage.

Mr. Rubey. Your idea is that it is an altruistic proposition?

Mr. Weld. It is not at all.

Mr. **Rubey.** You want to keep the fellows who ship from losing money?

Mr. **Weld.** That is not the reason; I do not mean to imply that. It is for our information. As I say, the cattle will sell on the second market for what they are worth. We could not change the price of the second market if we wanted to, because somebody else would jump in and buy them. If we bid on the forwarded shipment less than they were worth, there would be plenty of speculators and other packers who would quickly buy that stuff.

Mr. **Rubey.** My information is that when a fellow ships to another market he is never able to get anybody to bid any more than he got at the preceding market, with the possible exception of the freight added.

Mr. **Weld.** That is not true. The stuff sells for what it is worth on the second market. When that stuff arrives, if there is an advance in the market, it results in a considerable profit to the shipper who has forwarded his stuff from one market to another.

Mr. **Young.** Under the system which did prevail, let me ask you a few questions. I have some steers at Fort Worth, and they bid me 14 cents a pound for the steers. I decide that I can not take it. You have a plant at Kansas City?

Mr. **Weld.** Yes, sir.

Mr. **Young.** I ship to Kansas City.

Mr. **Weld.** Yes, sir.

Mr. **Young.** And you wire your people at Kansas City that "We offered Young 14 cents a pound on 500 steers"?

Mr. **Weld.** They do not do that, but we will assume that they do.

Mr. **Young.** Well, assuming you did, I would be dead sure not to get any higher offer from Swift & Co. in Kansas City than I would get from Swift & Co. at Fort Worth, would I not?

Mr. **Weld.** No; you would not be sure of that at all. We would offer what the stock was worth in Kansas City on the day it arrived there, irrespective of what was bid in Fort Worth.

Mr. **Young.** Then why send that telegram?

Mr. **Weld.** Because, as I have explained, it is the best kind of information we can get as to the conditions in the different markets—the relative conditions of the different markets. It is only one item of hundreds of kinds of similar information that we are furnishing to our different buyers and to our head buyer in Chicago all the time. You do not realize what a careful study of these conditions we are making every day in the week. That is just one item. Everything like that is wired on.

Mr. **Young.** Of course you are represented by your buying agents at the different yards. Say you are the buying agent at Fort Worth when my 500 head of cattle go there, and you offer me 14 cents a pound, and I do not take it. Instead, I ship them on to Kansas City. You wire your buying agent at Kansas City, "I offered Young 14 cents." That certainly would have some influence on that buying agent in Kansas City in reaching his determination as to the kind of bid he would make?

Mr. **Weld.** It would not deter him from offering 14½, 15, or 15½ cents if the stock was worth it, and if it was worth it and our buyer in Kansas City refused to bid that he would never get the cattle, because some other packer or speculator or shipper would bid what they were worth and get them.

Mr. **Young**. Would not that telegram from your buyer in Fort Worth to your corresponding buyer in Kansas City have some influence at least on that fellow in Kansas City in arriving at a conclusion as to what these cattle were really worth? He would say, "I have confidence in Swift's man down in Fort Worth, and he thinks they are only worth 14 cents there. That is his judgment, and I know he has good judgment, and therefore I can not offer any more than that."

Mr. **Weld**. He would take that into consideration, undoubtedly. If the market did not change at all in the meantime they might be worth only 14½ or 14¼ in Kansas City when they arrived there, and our buyer would bid accordingly. Of course there is a rivalry between our buyers. Every buyer wants to buy as cheaply as he can; he wants to make the best buy, because he wants his buys to show a profit. One buyer hates like the dickens to buy a string of cattle and lose money on them while another buyer in the same market or another market buys a string of cattle in which he makes money. Of course each buyer wants to be able to show a profit if he possibly can, and the man in Kansas City might be influenced by the bid that had been made down in Fort Worth, but if he does not bid every cent that the stock is worth in Kansas City, he won't get the cattle. Somebody else will get them.

Mr. **Veeder**. Mr. Weld, is it not also——

Mr. **Young** (interposing). Before we get away from that, I want to ask a question about that particular transaction—these 500 head of my cattle.

Now, you have wired ahead to your man at Kansas City. Is that same information furnished either by your people or the other packers in Fort Worth to their buyers in Kansas City?

Mr. **Weld**. Is our information open to the other packers?

Mr. **Young**. Yes.

Mr. **Weld**. No, sir; that is just our own business.

Mr. **Young**. Who else buys in Fort Worth?

Mr. **Weld**. Armour, and Morris.

Mr. **Young**. Would they also send like information to their representative in Kansas City?

Mr. **Weld**. They might if they knew about it.

Mr. **Young**. Although they did not bid on my cattle at all in Fort Worth?

Mr. **Tincher**. They would bid on them, Mr. Young, before your man let them go out of there; they would not ship them from one market to the other without getting all the bids.

Mr. **Young**. What I am after is whether all the buyers at Kansas City would be furnished this information that you are furnishing to your man there?

Mr. **Weld**. We do not know whether they would or not. If they did bid on cattle, or if they learn from hearsay what is bid on the cattle in Fort Worth, they might wire on. I do not know whether they do or not. But even if Armour, Swift, and Morris were all three buying in Fort Worth—although Morris has not a plant there—it would not affect the price that those cattle would bring in Kansas City, because if any one of those three tried to bid less than they are worth in Kansas City somebody else would buy them.

Mr. **McLaughlin** of Nebraska. Mr. Weld, assuming that *your* buyer at Kansas City is a man of judgment and knows values the same as your man at Fort Worth, why wire on at all? Why let the other man's judgment influence your Kansas City buyer's? Is he not competent to buy? Is he not competent to estimate the value of the cattle when they reach him?

Mr. **Weld**. I have explained that; in the first place, we do not wire on in such a case as Mr. Young has cited. The Fort Worth buyer would wire to our head buyer in Chicago, and that is only one item of hundreds exchanged by wire every day, to keep our head buyer in Chicago conversant with the conditions in the different markets and the relative condition of the different markets. That is one of the best kinds of information we can get in Chicago in studying the condition of the various markets from day to day and from hour to hour, as we have to do.

Mr. **McLaughlin** of Nebraska. Well, you did use to do that in just such cases?

Mr. **Weld**. Yes, sir; up to 1916. It is a perfectly legitimate thing and done in every business.

Mr. **Veeder**. Mr. Weld, is not that information which is wired in by the buyer at the first point, say Fort Worth, valuable to the head buyer in charge of the buying in determining the ability of the buyer at the first point? For instance, if those cattle sell in the second market for more than the first buyer bid, does not the head buyer know that the first buyer has not bid the full value on that stock? And if that practice continues and this buyer in Fort Worth is constantly not getting the cattle and at the price he bids, and, as a matter of fact, they sell for a higher price later, does he not know that the first buyer is not a good judge of live stock, and is not that one of the means of comparing his own buyers and determining their ability as between themselves?

Mr. **Weld**. It certainly is; it is one of the best checks that the head buyer has.

Mr. **Young**. It certainly is a very efficient check, so that all of them will bid along the same line of figures for the same stuff.

Mr. **Tincher**. If Mr. Young forwards his 500 head of cattle—of course he will not forward them; his commission man will not hear to his forwarding them until he has offered them to all the buyers and got all their bids. But if the wiring on is done at all—and it is—they all wire on to their head buyers in Chicago, do they not?

Mr. **Weld**. I do not know what the other packers do.

Mr. **Tincher**. Well, you have heard them talk about it, have you not?

Mr. **Weld**. I do not know whether they wire direct to the market to which the cattle are forwarded or only to their head buyer.

Mr. **Tincher**. If they did all wire on they would all have the information as to what other buyers had bid at the first market?

Mr. **Weld**. The head buyers does not wire back to Kansas City; it is just for the information of the head buyer in Chicago. The buyer in Kansas City does not know what we bid down in Fort Worth. Is not that true, Mr. Chaplin?

Mr. **Chaplin**. Yes.

Mr. **Young**. You have private wires between all these markets, have you not?

Mr. **Weld**. Yes, sir.

Mr. Young. You have the best means of communication of any wire system between markets?

Mr. Weld. And the greatest need for a perfect communication system.

Mr. Young. You can get a telegram between the two markets quicker than any other known institution, can you not?

Mr. Weld. I do not know about that. We have private wires; that is all I know.

Mr. Young. You have private wires even here to Washington?

Mr. Weld. Yes, sir.

Mr. Anderson. Mr. Weld, may I ask you a question?

Mr. Weld. Suppose I finish up on this matter of wiring on, and then you ask me the question.

Mr. Anderson. This is right on the point, and I think this ought to be cleared up. I notice in all these telegrams which you have put into your analysis of the Federal Trade Commission's report, that the report to your head buyer is the report from the second market, and it shows the bids at the first market as well as the bid at the second market. Now, unless the buyer at the second market had been advised by the buyer at the first market what he bid at the first market, then the second buyer would not have that information and be able to send this telegram containing the bids at both markets. This shows very clearly that the information came from the first market to the second market, and not from the first market to the general buyer.

Mr. Weld. No; these are all from our headquarters in Chicago.

Mr. Anderson. They are all to headquarters from your buyers in the second market.

Mr. Weld. No; they are all signed by W. Leavitt. He is our head buyer in Chicago, and he is the head buyer out in the yards. He is informing the office, Charles H. Swift's office, which is the head of the beef department, of these completed transactions. There is no evidence there that the information was ever wired on at all. And that is true of the telegrams that the Federal Trade Commission gives on pages 90 to 93, with the exception of the first one on page 90, which is a clear case of wiring on. With the exception of that first one they are all merely records of completed transactions where our buyer in the first market has wired our head buyer in Chicago what the bid has been, and then W. Leavitt, the head buyer, gets a report of what is paid for the stuff in the second market, and then he sends that information out in these cases to the head of our beef department in our office. These are not telegrams; these are just memoranda.

Mr. Tincher. I see here in the Senate hearings a quotation from the Federal Trade Commission's report. They talked to the commission men about the forwarding on, and the general concensus of of opinion of the commission men was that it was not profitable to forward stock, for the reason of the wiring on proposition. Now, if the Federal Trade Commission were misled in that, they were misled by the commission merchants.

Mr. Weld. As a general rule it does not pay to forward on, and that testimony from the commission merchants shows it is the common practice for packers to wire and also shows that shippers hesitate to forward their cattle because bids will be wired on. But there is absolutely no evidence that the stuff does not bring all that it is worth in the second market.

Mr. TINCHER. As to the split shipments, they wire something about them, too, do they not?

Mr. WELD. We wire, I think, in that case to our head buyer in Chicago in the same way. For example, we used to split shipments between St. Joe and Kansas City, and we would wire from one market to the other. But the reason those are generally sold at identical prices is that the commission men are anxious to get the same price on both markets; otherwise the shipper will be dissatisfied.

Mr. TINCHER. The only way to work that is to send one shipment in your own name and one in somebody else's name. If you see there is any difference in price you can put one shipment in your name and one in another name.

Mr. WELD. Yes; and even then you will find that the prices are surprisingly similar. In Kansas City and St. Joe, where the values are the same and the freight rates are the same, there is no wiring on or anything to bring about the same price in the two markets, and yet you will find in many cases there will be the same price, or so nearly the same it amounts to the same thing.

Mr. TINCHER. If you split shipments to Kansas City and St. Joe and use some neighbor's name you will get a difference of 50 or 65 cents a hundred, won't you, for the same identical stuff?

Mr. WELD. I do not believe there would be that much difference between the two markets; it would be an extremely exceptional case.

Mr. TINCHER. Well, sometimes the low market pays from 50 to 65 cents a hundred more than the high market.

Mr. WELD. That would not be the case as between St. Joe and Kansas City. But that does not excuse the Federal Trade Commission's taking telegrams from our files only in those cases where the prices are identical and leaving out the rest where the prices are not identical.

Mr. TINCHER. Here is something published by the Federal Trade Commission that is supposed to have come from one of your files:

> In this connection, however, it occurs to us that we should not make any noise about competitors' prices being identical, etc. Under present conditions this is not advisable, as you are undoubtedly aware. Also you might destroy this letter on the subject.

Mr. WELD. That has to do with the alleged lard-compound agreement, and I shall go into that very fully and carefully. I shall try to get to it this morning.

Mr. TINCHER. Well, when a packer says, "You might destroy this letter on the subject," and the Federal Trade Commission publishes that letter in its hearings, of course you would complain about the publishing of the letter?

Mr. WELD. Of course I would. Now, I will have to anticipate a little, just to have the record clear on this point.

Mr. TINCHER. Do you know of any other line of business where letters are written in which they say "Please destroy"?

Mr. WELD. Please let me finish my answer. There was an agreement on lard compound, and it was brought about by the Food Administration, a fact which was never mentioned by the Federal Trade Commission in its report. That was an Armour letter,—"You might destroy this letter on the subject"—referring to identical prices, and I can make a pretty good guess as to why it was written.

F. J. Heney had just started his public hearings on the packers, and if such a letter had been found they knew exactly the kind of use the Federal Trade Commission would have made of it, and we can see exactly what use the Federal Trade Commission did make of it. That whole thing about the lard compound agreement in that letter is one of the most outrageous things that has been perpetrated here against us, and I will prove it to you clearly.

Mr. ANDERSON. Before you get away from this wiring on business——

Mr. WELD. I have not yet had a chance to finish my statement.

Mr. ANDERSON. I do not think your statement quite explains this matter, because these reports show that these memoranda or whatever they were to Mr. Swift show that these transactions about the second sale took place in the Chicago market, and that the information with respect to the bid at the first market was in hands of the buyer at the Chicago market at the time the sale took place.

Mr. WELD. Well, I have said a dozen times that the buyer in the first market does wire on to our buyer in Chicago.

Mr. ANDERSON. Then if Chicago is the market where the second sale took place it is perfectly clear that the Chicago buyer has the information as to the bid at the first market at the time he makes the bid at the second market.

Mr. WELD. Yes, sir; I have not said otherwise.

Mr. ANDERSON. I thought you did.

Mr. WELD. I said that they did wire to Chicago, to our head buyer. We used to wire, for example, from Fort Worth to Kansas City, but we have practically discontinued that. There may be some cases now of that, but we do wire to Chicago, and Chicago knows what is bid in the first market.

Now, the Federal Trade Commission says:

> The packer buyers at the second market bid at prices no greater and often less than those offered the shipper at the first market.

They make that flat statement that the buyers in the second market bid at prices no greater and often less than those offered the shipper at the first market. Then the Federal Trade Commission gives some of these memoranda on pages 91 to 93 to bear that out, which show in almost every instance a lower price in the second market than in the first. It is perfectly evident that those memoranda are hand-picked, because the Federal Trade Commission also took from our files many memoranda which show higher prices in the second market than in the first, and these appear on pages 54 to 57 of the Analysis and Criticism, which I should like to have put into the record.

Now, Mr. Colver, before this committee referred to this and said that I had put in telegrams which gave nothing new and which showed nothing different from those put in by the Federal Trade Commission.

Mine do show something different. They show a higher price in the second market than in the first market, and Mr. Colver, trying to square himself on this particular point, introduced into the hearings last winter—it will be found in Part Five of the House Hearings, beginning on page 2333—all of the memoranda and telegrams which had been taken on this question of wiring on, as though that would overcome the statement here in the Federal Trade Commission's own report, where the flat statement is made that the packer buyers in the second market bid at prices no greater and often less than those offered the shipper at the first market.

Now, I analyzed those telegrams that are reproduced in the hearing, and I found that where there was any price comparison at all between the first market and the second market 32 cases showed a lower price in the second market, 27 cases—almost as many—showed a higher price in the second market, and 5 showed the same price in the second market as in the first. And yet the Federal Trade Commission in its report has taken some of those 32 which showed a lower price and made the definite outright statement, to quote the words exactly:

> The packer buyers at the second market bid at prices no greater and often less than those offered the shipper at the first market.

Mr. TINCHER. As to those that show an increased price, is the increase more than the freight?

Mr. WELD. No; that does not necessarily mean that the shipper made any money by shipping to the second market. In some cases he did, because there was a considerable difference. In other cases the difference is very slight. The statement of the Federal Trade Commission here is incorrect, and it hand-picked the telegrams to bear it out.

The funny part of this whole thing is that there is not a single illegitimate thing there, that the price ought to be lower in the second market than in the first, if the market has not changed to any extent in the meantime. The whole thing is stated as if it were an illegitimate practice involving collusion. That is the trouble with this whole part of the Federal Trade Commission's report; perfectly legitimate transactions are described as though they were improper, when there is not an improper thing that has been divulged.

Mr. TINCHER. I guess you and the Federal Trade Commission both deal in technicalities. I examined the ones where you said there was an increased price, and in most of those cases the increased price would not pay the increase in freight.

Mr. WELD. I did not say it would, and it ought not to. Normally it does not pay the difference in weight and shrinkage.

Mr. TINCHER. As a legislative committee we ought to be careful not to be carried away by any technicalities of yours or of the Federal Trade Commission. We have to keep in mind the fact that technicality is a microbe that gets into law and raises hell with justice.

Mr. WELD. The whole thing is misrepresented by the Federal Trade Commission's report. The telegrams are hand picked. It does not correctly describe the transaction.

Mr. TINCHER. Well, they picked out certain telegrams, and then they took the comparative sales, and they condemned the practice.

Mr. WELD. They said it represented collusion.

Mr. TINCHER. Well, they condemn the practice. Now, you take the telegrams and you take the sales and you say the practice is all right, that there is nothing wrong with the practice. Of course, the committee will have to figure it out and decide whether they shall approve the practice.

Mr. WELD. Are you going to let a commission say whether we shall wire from one market to another what we bid? Are you going to establish a commission which does that?

Mr. **Tincher**. I do not think this committee should be bound, probably, by the Federal Trade Commission's conclusions as to the things they have found. However, it would be a sad state of affairs if we were to be bound by the conclusions of either of you. The question is whether that is a good practice. Now, you state that under existing conditions the law of supply and demand governs; I ship my cattle and sell them on the market; there are competitive buyers, and the only thing entering into the market is the law of supply and demand.

Mr. **Weld**. Absolutely; there is no collusion or manipulation of prices.

Mr. **Tincher**. You would not need collusion, if each packer buyer has got a telegram telling him what the bid was in the lower market. You would not need much collusion in that case. Is it not true that on a forwarded shipment no one bids on the cattle without information as to what the former bids were? If you ship cattle into Kansas City and you want to forward them to Chicago you will find that in Chicago they will not be offered to any bidder without that bidder will have a way of knowing just what those cattle were bid in Kansas City.

Mr. **Weld**. I do not know that that is the case at all, Mr. Tincher. Of course, if the commission man also wires on he may tell the different buyers; I do not know whether he does or not.

Mr. **Tincher**. I gather from reading here that the commission man would not wire on, as a matter of course, because he is supposed to represent the producer, but there is another agency down there that neither the producer nor the consumer has anything to do with that loads these cattle out, and that is the stockyards company.

Mr. **Weld**. They do not know anything about the price that was offered.

Mr. **Tincher**. Well, they know that those cattle are going in certain cars and when they are loaded out and all about it. I see here that one commission man has told the Federal Trade Commission that is the way the packers get the identity of the cattle.

Mr. **Weld**. He "guesses," I believe, that they get it that way. He says he does not know how they get it.

Mr. **Tincher**. Do you know how they get it?

Mr. **Weld**. I know, of course, in the cases where we bid on cattle ourselves. I do not know whether there are any cases outside of those at all or not, but there may be some cases where it is commonly noised around the yard. You know, things are pretty well known over in the yard. A commission merchant will tell our buyer what somebody else bid on the stuff. He will not necessarily tell the truth every time, and he is trying to get us to bid more. But there is more or less gossip around the yards; there is bound to be in any concentrated market place.

Mr. **Veeder**. Mr. Weld, would you consider that it was illegitimate, either in law or in morals, for the central office in Chicago of a packing company that is conducting the business to require its employees, whether in Chicago, Kansas City, or anywhere else, to keep the central office posted as to the activities of the employee or of the agent?

Mr. **Weld**. Of course. It is done in every business, and it is legitimate and perfectly proper.

Mr. **Veeder**. Is there any other consideration entering into this than that requirement upon the employee to keep his employer posted?

Mr. **Weld**. No; there is not. It is not at all for the purpose of trying to depress the price in the second market, and even if we tried to do that it would be impossible to do it.

Mr. **Anderson**. If this were a general practice, indulged in by the big five packers, who do most of the buying on those markets, to the extent that it was indulged in would it not have a tendency to destroy competition between the markets?

Mr. **Weld**. No, sir; I do not think it would at all.

Mr. **Anderson**. Well, one purpose of it is to keep the markets in line. Is not that one purpose of it?

Mr. **Weld**. One purpose is to give us information about the relative conditions in the different markets.

Mr. **Anderson**. What do you need that information for?

Mr. **Weld**. Well, what do we need any information for about prices in different markets?

Mr. **Anderson**. I am asking you.

Mr. **Weld**. As I have said, this is only one of hundreds of items that we sent to our Chicago office to give information on the conditions on these different markets. It is one of the best kinds of information we can get as to conditions.

Mr. **Anderson**. One of the purposes of this information is to enable you to keep the various markets in line?

Mr. **Chaplin**. To enable us to buy in the cheapest markets, if we can.

Mr. **Weld**. The pay you put it is not exactly the right way to put it.

Mr. **Anderson**. I wish you would answer the question, and then make any explanation you wish.

Mr. **Weld**. It is to govern us in our buying. If we find that stuff is cheap down in Kansas City we increase our buying there for the day. If it is high in Omaha we decrease our buying there for the day. If stuff looks expensive in Omaha and cheap in Kansas City we increase our buying in Kansas City and diminish it in Omaha. That will automatically tend to bring the markets into line.

Mr. **Anderson**. If a shipment is made to Fort Worth, for instance, and then sent on to Kansas City, and information as to the bid at Fort Worth is sent on to Kansas City, and the Kansas City buyer in view of that information undertakes to pay no more than is necessary to get the cattle, is not the net result of that practice to reduce competition between the markets?

Mr. **Weld**. It does not, in the first place, have the effect of causing our buyer in Kansas City to bid less. He bids what the stuff is worth and even if he tried to buy the stuff cheaper he could not do it, because there are not only enough large packers there, but small packers and plenty of speculators and shippers who would grab the stuff in an instant.

Mr. **Anderson**. Is that quite true, considering the very small proportion of the buy by the other shippers and smaller packers The trouble with all of this is that you people are apparently willing to leave all the competition to the small buyer, the order buyer, and the small packer.

Mr. **Weld**. If the price were depressed a dime or a quarter a hundredweight there would be so many small buyers and speculators appear overnight that they would be the biggest factor in the market. We have to pay what the stuff is worth, considering what we can get out of it in the form of meat and by-products or we won't get the stuff.

Mr. **Anderson**. Well, it is not necessary for the purpose of information to keep these markets in line, or for the general information of your buyer to know that John Jones on a certain day on a certain carload of cattle at Fort Worth was bid $8.75?

Mr. **Weld**. That is necessary for another reason, and that is the relative ability of our buyers, whom we are watching very closely all the time, every day. There is also the question of the relative conditions in the different markets and the skill and ability and judgment that our individual buyers are using in the different markets. We follow them very closely every day and keep tabs on them all the time.

Mr. **Anderson**. Mr. Veeder suggests that one object of this information is that if your buyer at Fort Worth, for instance, is not paying the price and getting the cattle you can check him up. Another result of it might be that you would check up your buyer in the second market if he paid a little more than the other fellow?

Mr. **Weld**. If it shows that he lost money on his buy, yes; we would tell him he was paying too much, or if the stuff cuts out all right and shows a profit we tell him he is all right.

Mr. **Anderson**. As a matter of information, and a matter of checking up your buyers, it would be sufficient if this information came after the sale and not before, would it not? If it is simply a matter of information as to what your buyers are paying, it would not be necessary for you to have the information as to what was bid in the first market at the time?

Mr. **Weld**. That is practically what happens in wiring only to our head buyer in Chicago.

Mr. **Veeder**. Mr. Weld, is it not a fact——

Mr. **Anderson**. Now, Mr. Veeder——

Mr. **Veeder**. Just a question along this line.

Mr. **Anderson**. Mr. Chairman, I object to the packer attorneys not only coming here and telling the witness what to say before he gets on the stand but after he gets on the stand. If I can not examine the witness without having somebody butt in here, especially when I am examining a man as well posted as Mr. Weld, I want to know it.

Mr. **Weld**. Go ahead. I have not been instructed what to say yet.

Mr. **Anderson**. I hope not; it is not necessary. Every time I try to develop a line of questions here somebody butts in and tries to interrupt the procedure. I am getting very tired of it. That is all.

Mr. **Voigt**. Mr. Weld, let me call your attention to a memorandum on page 92 of part 2 of the Federal Trade Commission's report. There is a memorandum there dated Chicago, December 5, 1916, addressed to Mr. Charles H. Swift, signed by W. Leavitt, who is, or was at that time, your head buyer?

Mr. **Weld**. And still is; yes, sir.

Mr. **Voigt**. Mr. Leavitt says:

> Clay Robinson forwarded from St. Paul, the 1st, 15 loads cattle—sold Chicago Monday, the 4th.

Then he says:

Bid St. Paul Friday, December 1. Average bid price about 7.25.

Then he says:

Sold Chicago Monday, December 4—

And he gives the number of cattle and the average per head sold to various firms. For instance, he says there were 71 sold to Hammond, at 7.55; 29 sold to Hammond, at 6.85; 34 to Morris, at 6.70; 24 to Morris, at 6.75; 68 to Independent, at 8.15; 17 sold to Independent, at 8.15; 58 to Morris, at 7.40.

Now, if you have this information that the wiring on gives you, what is the object of making a report of this nature after it is all done?

Mr. WELD. Well, it is as I have said. This is from our head buyer to our beef department in our office in Chicago, and our beef department needs just as much of this kind of information as it can possibly get. It is the kind of information that helps us size up both the conditions of the various markets so we can buy where prices are lowest and the ability of our buyers to use judgment in their buying.

Mr. VOIGT. Well, the sole purpose of this memorandum, as you say now, was to give you a check on the ability of your buyers?

Mr. WELD. And the relation between the St. Paul and Chicago markets.

Mr. VOIGT. Well, what is the use of your getting this several days after it is over?

Mr. WELD. So far as the condition of the markets is concerned it is not of particular importance, except for looking back and seeing what the conditions were a few days ago, as to the ability of our buyers. It is a check. The mere fact that we sent that memorandum shows that we wanted it for that purpose. Why else should we report a past transaction from a cattle-buying department out in the yards to our beef department in the office?

Mr. VOIGT. Well, it looks to me as though it was sent as information to show that the man who sent on these cattle did not gain any advantage by doing so.

Mr. WELD. Oh, it is not for that purpose at all.

Mr. VOIGT. I understand; you and I do not agree on that.

Mr. WELD. I did not know how you stood on it before.

Mr. VOIGT. Well, that is the way I look at it. Now, let me ask you another question. Where did Mr. Leavitt find out that 29 of these cattle were sold to Hammond at 6.85?

Mr. WELD. Well, of course, Hammond belongs to Swift & Co. The same question in regard to Morris would be more in point, I would imagine.

Mr. VOIGT. Well, then, I will ask you the question, how did he find out that 34 of these cattle sold to Morris at 6.70 and 24 to Morris at 6.75?

Mr. WELD. I imagine the commission man told him; I do not know. Or possibly the buyer for Morris told him what he paid for the cattle. There is nothing wrong in that.

Mr. VOIGT. Well, now, here is a shipment of cattle consisting of 15 carloads. There were pretty nearly 300 cattle in the shipment.

Mr. WELD. Where is this to which you refer?

Mr. VOIGT. On page 92 of this memorandum I called your attention to.

Mr. WELD. This same memorandum?

Mr. VOIGT. Yes. Here are 15 loads of cattle, pretty nearly 300 head in the shipment, and your head buyer was able to find out just exactly where each one of those loads of cattle went, and the exact price paid by each man who purchased a part of them.

Mr. WELD. Apparently. I have not had up the matter as to these 15 loads; it is probable they had the information, and very likely that they did.

Mr. VOIGT. Did he go to considerable trouble in getting that information?

Mr. WELD. Well, he only had to go to two people. No—probably he had to go to more than that. Let me see, the Independent Packing Co. is one concern, and possibly he only had to go to two people, and in fact to only one person, because they were in the hands of Clay Robinson, a commission firm.

Mr. VOIGT. Would the commission dealer give it to him?

Mr. WELD. Yes, sir. And we might know without going to anybody, because probably we tried to buy them ourselves, and somebody else bid higher than we did.

Mr. CHAPLIN. It is no secret in the yards what anybody buys?

Mr. VOIGT. It is no secret; but you can not follow up the sale of all cattle and find out what they sold for or what was bid on them.

Mr. CHAPLIN. You can ask anybody who had anything to do with a transaction and get the information.

Mr. VOIGT. Your man Leavitt evidently went to the trouble to find out what each lot sold for and who the buyer was, and the exact price received.

Mr. WELD. Yes.

Mr. VOIGT. What I want to know is, why did he go to all that trouble to get that information?

Mr. CHAPLIN. The object is to see whether the St. Paul market and the Chicago market are in line, we will say. We can not tell about that by merely getting quotations on the different kinds of cattle on sale. You must get a line on the same kinds of cattle; what they are bid for on one market, and then what the same cattle are bid for on another market. You have to get a line on the thing so as to know the situation. After you get that information all you have to do is to get the difference in the market quotations from one day to another.

Mr. VOIGT. You have a private wire system which keeps you ininformed every minute of the day as to whether or not the markets are in line?

Mr. CHAPLIN. Yes; but you can not tell by the mere quotations.

Mr. VOIGT. Why can not you tell by the quotations?

Mr. CHAPLIN. Because you have to see the animals themselves. In fact, we have men who do nothing else than go from market to market to see if the markets are in line, so we may know the cheapest market to buy in. We may think that they are in line, but we can not tell merely from the quotations.

Mr. VOIGT. Do you mean to say that you cattle buyers can not tell by the way cattle are quoted on the markets whether the markets are absolutely in line or not?

Mr. CHAPLIN. No, sir. You have to see what kind of cattle they are that are quoted.

Mr. VOIGT. Then, according to what you say, unless you do engage in this wiring-on practice, you can not tell whether the markets are in line or not?

Mr. CHAPLIN. Yes; we can tell approximately whether the markets are in line or not, but we can not tell exactly. We have men to go around and see the markets, and see the cattle, and tell whether one market is cheaper than another. In that way we correct our ideas gained from quotations or other means. We might get the wrong idea about quotations. It may be that cattle quoted on one market are a little bit different from the cattle quoted on another.

Mr. VOIGT. This wiring-on practice is engaged in, then, to hold the markets in line?

Mr. CHAPLIN. Not to hold them in line, but to tell how they are, in fact.

Mr. VOIGT. You line up your bidding according to this information?

Mr. CHAPLIN. That is one item that helps us to determine how the markets are.

Mr. ANDERSON. If it should develop that one market is lower than another you change your buying orders where the market is lower so as to bring that market up, is that your contention?

Mr. CHAPLIN. We buy more there, at the cheap price, if we can. We buy where the price is the cheapest, just as anybody else does.

Mr. ANDERSON. You claim that this practice of wiring on is only occasional, and that it never was a very general practice. You certainly do not mean to say that the occasional sales that you are able to follow from one market to another, as to the same cattle, give you very much of an index as to whether the markets are in line or not?

Mr. CHAPLIN. Yes, sir; it does. At least it helps us.

Mr. ANDERSON. According to those reports that you put in the record the markets were considerably out of line, if they showed practically no difference in price, not allowing for freight and shrinkage.

Mr. CHAPLIN. No; you have to allow also for the difference in the market. There are several days difference in the market. The markets have gone up or down in the meantime.

Mr. WELD. I do not think that the most of those show that the markets are very much out of line.

Mr. ANDERSON. I do not think they do either, but they would have to so show according to Mr. Chaplin's theory.

Mr. CHAPLIN. How is that?

Mr. ANDERSON. I do not think they show the markets were out of line either, but it seems to me that according to your theory they would have to do that.

Mr. CHAPLIN. I do not follow your reasoning?

Mr. ANDERSON. Well, they show in many instances that the same price was paid in both markets. If that were the case it would be too high at one of the markets because of the difference in freight rates.

Mr. CHAPLIN. Yes; but the difference in dates of the two markets might make a change.

Mr. VOIGT. Have you discontinued the practice of wiring on?

Mr. WELD. Not wiring on to Chicago. There is a wire from the different markets to our head buyer in Chicago. I do not suppose it would be suicidal either way, to stop that. We know that it is a perfectly legitimate thing to do, and there is no collusion of any kind. It does not mean that the price of cattle is depressed in the second market. We have done away with it to a certain extent just because of the prejudice that has been engendered against it. and perhaps we should go farther. I do not know.

But if we should begin shutting off a thing like that I might say to you that there are hundreds of other things that we might just as well stop doing—that is, if we are to stop doing perfectly proper things just because there is a prejudice against the doing of them.

Mr. VOIGT. When you wire on, do you always identify the cattle shipment?

Mr. WELD. Oh, yes. It would do no good otherwise. We either identify them by name of the shipper, or of the commission merchant. or in some other way. There are different grades of cattle, you know, and they may be selling in Chicago to-day all the way from 6 cents to 15 cents, although I do not know just what the market is. but the range would be something like that; and unless there were some identification of the cattle it would be foolish to wire on.

Mr. MCLAUGHLIN of Nebraska. Are you through now with the wiring-on subject?

Mr. WELD. I think so.

Mr. VOIGT. One more question. Looking at the memorandum on page 92 of part 2, report of the Federal Trade Commission on the meat-packing industry, I find this notation, "Copy to L. F. S., E. F. S., E. L. W." Now, who is "E. L. W."?

Mr. WELD. He is the office manager. Those are all people in our office.

Mr. MCLAUGHLIN of Nebraska. Mr. Chairman, at the conclusion of Mr. Weld's testimony on the subject of wiring on I would like to have printed in the record report No. 100, part 2, of the Senate hearing on S. 5305, held in January, 1919.

The CHAIRMAN. Without objection it is so ordered.

(The said report is here printed in full in the record, as follows:)

REPORT NO. 100.—HOW "WIRING ON" AND "OTHER MARKET" INFORMATION IS SECURED BY THE PACKERS AT KANSAS CITY.

This report is intended to be an introduction to and summary of Reports Nos. 101 to 105, which reports will amplify and substantiate the statements made herein. These reports, the result of many interviews and examinations, will reveal a pool or combination of Armour, Swift, Morris, Cudahy, and Wilson, through which these packers secure market information and secure confidential shipping information which information is used in "wiring on" or following shipments from Kansas City to other markets and for other collusive purposes.

The Fowler Packing Co., owned by Armour, also participates in a part of this combination, but in this report will not be considered separately from Armour & Co.

This special pool employs three men at the present time. These employees and their positions will be indicated by the following, which is an exact copy of a record examined and secured at the general office of Wilson & Co., December 22, 1917:

ACCOUNTS PAYABLE.

Salaries for the first half of December, 1917:		
C. H. Werner—		
Weighing and inspecting	$50	
Compiling report	5	
		$55
P. A. Brock—		
Train reporter	55	
Cattle report	10	
		65
James Smith, humane officer		40
Total		160

Charge "weighing and inspecting account."

This semimonthly expense is apportioned on a percentage basis among the packers.

C. H. Werner performs duties for the combination in connection with the Kansas City Board of Trade. His work does not relate to "wiring on" and will therefore not be considered in this report.

P. A. Brock and James Smith have fully explained their duties in connection with this system. James Smith, known as humane officer, assists Brock in the matter of securing shipping information. The story of Brock's work is told in Report No. 107 and Smith's activities are related in Report No. 108.

E. J. Cooper, an employee of the combination for 16 years until 1913, was Brock's predecessor. Mr. Cooper was my most important informant in this study. (See Report No. 106.)

George Kline during most of this period was the night clerk at the stockyards offices and in charge of the shipping room. Ed. Darrell, at present the night clerk, cooperates with Brock by giving out the desired information.

GENERAL STATEMENTS.

1. The information the packers of Kansas City have secured and are securing to "wire-on" shipments to other markets and for other collusive purposes, thus stifling competition between these public markets, destroying the confidence of shippers in all these live-stock markets, and ultimately tending to discourage production, has for a great many years, and is at the present time, being obtained by a man employed and paid jointly by the five packers. This employee of the combination gets this confidential shipping information, which has been turned over to the Stock Yards Co. by the various railroads, by entering the offices of the Stock Yards Co. about 5.30 o'clock every week day morning and copying records which George E. Collett, the local stockyard manager, admitted the packers were not legitimately entitled to, and records the farmers or shippers when they engage their cars, importune the railroad agents not to permit these packers to get access to.

2. The stockyards shipping department offices from 6 p. m. to 6.30 a. m. are in charge of a night clerk. This night clerk at the present time, and for many years, has permitted this employee of the packers to copy from the shipping records such information as was required by the packers.

3. From 1896 to December 1, 1912, E. J. Cooper (Report No. 106) was employed by the packers to get this confidential shipping information and was furnished money with which to bribe the night clerk (George Kline) in order to get access to the records. This bribe fund, $25 a month, was furnished in addition to Cooper's regular salary, and was provided by each of the packers paying $5 a month to the pool. Cooper usually paid George Kline, night clerk, $10 of this amount, retaining $15 for himself.

4. This information, secured at 5.30 each morning, covers all the live-stock purchases of the previous day and also a record of all the shipments made to other markets. This information is taken to a certain building in the stockyards known as the train office, where this employee of the five packers has a desk. At this desk this employee makes five copies of this purchasing and shipping information. These copies are taken by another employee of the five packers, a man known as the humane officer, and delivered to the offices of the packer buyers in the Exchange Building.

5. When the head buyers for the packers arrive at their adjoining offices, all on the eighth floor of the Exchange Building, at 7 a. m., they have before them this accurate record of every purchase of the previous day and also a record of all shipments made out of Kansas City. I have secured some of these reports from the packer buyers, and will attach them to Report No. 111.

6. One of the Armour cattle buyers, Leo Burns (Report No. 104), explained how he made use of this information secured by this employee hired jointly by the packers. He explained that each morning this information was used as the basis of telegrams sent to Armour buyers at other markets to which shipments from Kansas City were consigned.

7. The commission men admit (Report No. 115) that "wiring on" has been a common practice of the packers, but is not employed as frequently to-day as previously, due to the fact that this practice of "wiring on" is now so well understood by the commission men and experienced shippers that commission men advise against shipping from one market to another, with the result that such shipments are now comparatively infrequent. The packers have apparently won out on this issue, and have so intimidated the farmers that few shipments are now made. However, when farmers do ship on they invariably go to great expense in an effort to conceal the identity of stock offered on the first market.

8. In addition to furnishing this "wiring-on" information, these employees of the five packers perform other duties for their "five bosses." Mr. Brock and the humane officer between 5 and 6 a. m. visit the train offices and get a record of the number of

cattle and hogs due to arrive that day. These incoming shipment figures furnish the basis of the "estimated receipts" for that day. These figures are compiled by Mr. Brock and posted at 6.30 on the bulletin board in the Exchange Building, and special copies delivered by the humane officer to various packer buyers in the Exchange Building.

9. After performing these two functions of compiling for the packer buyers the purchases and shipments of the previous day and estimating the receipts for the current day, Mr. Brock spends the balance of the day checking up actual hog receipts and reporting to the hog buyers employed by the five big packers. As soon as the hog train arrives Brock gets the actual receipts and reports in person to the packer hog buyers, who are then buying in the yards. The estimated receipts are not accurate, so that as the actual receipts are obtained the buyers are informed and the estimated figures raised or lowered as the case may require. The actual receipts, which usually differ from 500 to 2,000 from the estimated receipts, are given only to the packer buyers. The figures are not changed on the bulletin board for the benefit of the public.

10. After performing his early morning statistical duties assisting Mr. Brock, this other employee of the packers, Jim Smith, the humane officer, goes to the train chutes where animals are unloaded and looks up the "crips," or crippled hogs and cattle. Certain crips which he decides are not in condition to walk or be taken to the packing plants are shot and delivered to the Standard Rendering Co.

11. This humane officer is regularly commissioned by the mayor of Kansas City to perform these duties. However, he is paid by the five packers.

12. These two employees of the five packers are paid out of a common fund, which is made by assessing the five packers on a basis of the number of animals purchased during the month (Report No. 113). This pool arrangement has existed since 1893, the humane officer testified. The pool organization as first had its headquarters in the Armour Building, Fifth and Delaware Streets, Kansas City, which at that time was also the headquarters of other packer-trust arrangements. Since then the pool has shifted from one uptown office to another, until in 1915 it was handled at the central offices of Swift & Co. Since May, 1917, Wilson & Co. handled these accounts and assesses the other packers their percentage proportion of the common expense.

WIRING ON RESULTS.

The packers' practice of "wiring on" to discourage farmers from shipping from one market to another, and thus to prevent competition between markets, has resulted, it is believed, in actually reducing live-stock production in this country. The testimony of many commission men and farmers confirms this belief. As a result of the packers' absolute control of all the big public markets and their preventing competition between these markets by such practices as "wiring on," they have caused the better-informed farmers and shippers to look with suspicion and distrust on all these markets, and in many instances have so completely discouraged the farmers that the farmers have quit raising and marketing cattle and hogs. "I have sold the my last steer," or "They will never rob me of another animal," is what one frequently hears.

Unless these public markets are divorced from packer control and the confidence of the farmers in these markets restored, your examiner believes that production of live stock will be gradually reduced. I am convinced that the producing public now quite generally understand the packers' combination and control of these markets and that this knowledge or understanding is increasing very rapidly, with the result that there is widespread distrust and discontent.

Respectfully submitted.

E. S. HAINES.

Mr. **WELD**. May I ask what that is? Is that the Federal Trade Commission's defense of their treatment of this subject?

Mr. **McLAUGHLIN** of Nebraska. This is a part of a special report made to the President by the Food Administration I think.

Mr. **WELD**. Does that have to do with wiring on?

Mr. **McLAUGHLIN** of Nebraska. Yes, sir; it has to do with wiring on and nothing else.

Mr. **WELD**. May I see it, please?

Mr. **McLAUGHLIN** of Nebraska. Yes, sir; here it is.

Mr. **WELD**. Oh, this has reference to the hiring of men to gather market information, I believe, which was done in Kansas City because there was otherwise no good clearing house for the information, and where the packers cooperated in hiring a man to gather the information. It was perfectly public information, but it made the gathering of the information more convenient and satisfactory to have one man to get it.

Mr. McLaughlin of Nebraska. And they joined in hiring this man?

Mr. Weld. I believe so. Wasn't that the case some years ago, Mr. Chaplin?

Mr. Chaplin. Yes, sir; I think that is true.

Mr. Weld. There is nothing wrong in that, is there?

Mr. Anderson. I wish you would make it clear that the five large packers joined in paying the salary of this man or men, and that it was not a general proposition for the benefit of all the packers.

Mr. Weld. I am not sure about that. Did others than the five larger packers join in that, do you remember, Mr. Chaplin?

Mr. Chaplin. I do not know.

Mr. Weld. This matter is referred to in the summary of the report of the Federal Trade Commission as an indefensible practice, on page 71, and the two paragraphs there close with this statement:

> The packers have repeatedly denied that they wired on—

I do not know that any of the packers have denied that they wired on. On the other hand, they have always defended the practice. And the statement goes on to say—

> although sometimes admitting that they used to—

We have been very frank to say that we used to do it, and that we do it now—

> but something like a hundred telegrams of recent date now in the possession of the commission completely refute the denial.

So here they claim to have evidence on us refuting statements that we are alleged to have made, but that so far as I know we have never made. We have always defended the practice of wiring on. It is perfectly legitimate, and I do not believe that we should be expected to discontinue it just because of the prejudice and suspicion that exists in regard to it.

Now, gentlemen of the committee, the same thing applies to——

The Chairman (interposing). I understood you to say that the practice has been discontinued?

Mr. Weld. I said that the practice had been discontinued largely since 1916 as to wiring from one market, like Fort Worth, to another market, like Kansas City; but that we do continue to wire on to our head buyer in Chicago. That is, if the shipment is forwarded from Fort Worth to Kansas City the buyer in Fort Worth wires to our head buyer in Chicago.

Mr. McLaughlin of Nebraska. Then does the head buyer in Chicago wire the information on to these other markets?

Mr. Weld. No. We might just as well wire direct if that were the purpose. We wire to the head buyer in Chicago, but not as a subterfuge. So many of you people suspect all the time that there is some bad motive back of these things that we do.

The Chairman. The Federal Trade Commission's report implies that, does it not?

Mr. Weld. Of course it does; and yet it has not produced a scintilla of evidence of any collusion or impropriety in connection with wiring on or with split shipments and so on.

The CHAIRMAN. Why did you discontinue it?

Mr. WELD. Because of this prejudice. Of course we have not entirely discontinued it, but have done as I have stated, and we made the sacrifice in an effort to meet this prejudice to which I have referred.

Mr. YOUNG. Let me ask you a question right there: Take my same 500 head of cattle that I have been talking about, at Fort Worth. Suppose I decide to sell them in Fort Worth, then you do not wire on to Kansas City or to Chicago?

Mr. WELD. Do not do what?

Mr. YOUNG. Suppose I decide to sell them in Fort Worth. You do not then wire on to Chicago or Kansas City?

Mr. CHAPLIN. That is wired on to Chicago just the same, though name might not be mentioned. It may be grouped with some other purchases at the same price.

Mr. WELD. Yes; that is the way it would be handled.

Mr. CHAPLIN. Each purchase or grade would be especially mentioned.

Mr. WELD. If you sold 500 head of cattle that would undoubtedly be wired on to Chicago, and very likely they would give the name.

Mr. YOUNG. Suppose I cut that number down. Suppose I have two carloads of cattle, usually of about 25 to 30 head to the car. Suppose I have two cars of cattle at Fort Worth, and I am disatisfied with the price offered there and ship them to Kansas City. You wire ahead about those two cars, don't you?

Mr. WELD. Yes, sir; wire to Chicago, undoubtedly.

Mr. YOUNG. You formerly wired to Kansas City or wherever I shipped them to.

Mr. WELD. Yes, sir.

Mr. YOUNG. Suppose I sold those two cars and they did not go to Kansas City at all, would you wire anybody about them.

Mr. WELD. Yes, sir. Your name might not be mentioned because there would be no need of keeping track of the shipment.

Mr. YOUNG. You certainly would not wire Kansas City that I bad sold those two cars at Fort Worth.

Mr. WELD. No; we would wire Chicago though.

Mr. YOUNG. If I shipped those two cars on to Kansas City you would certainly get my name in connection with two cars of cattle coming from Fort Worth?

Mr. WELD. Yes, sir; that is the only way we could make a comparison of the bids in the two markets.

Mr. CHAPLIN. We would not wire Kansas City, however, but would wire the head buyer in Chicago.

Mr. YOUNG. But formerly you wired to Kansas City.

Mr. WELD. Yes, sir; and that was a legitimate thing to do.

Mr. YOUNG. I do not believe you could ever convince the producer that that is the correct thing to do.

Mr. TOMLINSON. What information would you give in the telegram?

Mr. WELD. If they were sold in Fort Worth?

Mr. TOMLINSON. Yes.

Mr. WELD. Probably that two cars at such and such a price, or if two other cars were sold at the same price we might group them and report four cars at the same price of the same description.

Mr. TOMLINSON. You do not have any confidence in the reports in the market papers?

Mr. **Chaplin**. We have to find out what is bought so as to know about the beef.

Mr. **Weld**. Market papers come out once a day, but we have to know about the market every single hour in the day. We are interested to-day in what the market is to-day in Kansas City, in Omaha, in Fort Worth, and so on, and make our purchases accordingly.

Mr. **Tomlinson**. Is Mr. Leavitt concurrently informed every day of every single carload or shipment of two carloads, or purchase on the Kansas City market, for instance?

Mr. **Chaplin**. He is informed of what we buy.

Mr. **Weld**. Or they would be lumped together?

Mr. **Tomlinson**. If you bought 200 cars of cattle would 200 telegrams go to Mr. Leavitt?

Mr. **Weld**. No; they would be sorted out and lumped together.

Mr. **Chaplin**. We would say that we had bought so many fancy steers and so many medium steers and report the weights and prices and so forth.

Mr. **Tomlinson**. I understood one of you gentlemen to say that you could not tell anything about the line up of the markets unless you saw the cattle and compared the sales.

Mr. **Chaplin**. No; I did not say that, but I said we could not tell exactly about the matter.

Mr. **Tomlinson**. I understood that you could not tell exactly.

Mr. **Chaplin**. No.

Mr. **Tomlinson**. Yet you are able to tell by giving the weights on somebody else's say so?

Mr. **Chaplin**. No; we could not make comparisons exactly that way, but we would know exactly what we bought.

Mr. **Tomlinson**. The telegram does not give you any real information so as to line the market up, does it?

Mr. **Chaplin**. Yes; we form our judgment as to whether one market is cheaper or dearer than another.

Mr. **Tomlinson**. Can you tell as well as matching up from actual sales, that have been forwarded?

Mr. **Chaplin**. Not quite as well. We have to do the best we can.

Mr. **Voigt**. Here is a copy of one of these wiring-on telegrams, found on page 90, volume 2, of the Federal Trade Commission's report. It is a telegram sent to Mr. Leavitt. It says:

> D. S. and V., forwarded to-day noon via Burlington 5 cars heavy natives dehorned mostly white faces with few black cattle on them bid 890 for Monday held at 915.

This gives a description of the cattle and states the amount bid on them, and states the amount at which the man who owned the cattle held them. In other words, it gives complete information about that shipment of cattle, doesn't it?

Mr. **Weld**. That is a real wiring-on message, and the only one there. That is where we wired to Leavitt in Chicago, and where we did exactly as I have been saying.

Mr. **Voigt**. Yes. And the message further states.

> Think these cattle will go to either Chicago or St. Louis.

And then at the bottom there is a notation:

> Went to St. Louis.

So then the Chicago office knew that these cattle had been sent on. They were first informed that they would go to either the one place or the other, and it is evident that the Chicago office afterwards found out that those cattle did go to St. Louis, so they kept track of the shipment.

Mr. **Weld**. Sure. That is exactly what I say they do, and will undoubtedly keep on doing.

Mr. **Voigt**. Well, I do not think you could ever make the owner of that bunch of cattle believe that he was getting a fair deal at St. Louis if the buyer knew exactly what he had asked for them on another market, and what he had been bid on them in that other market.

Mr. **Weld**. Would you advise us to do away with a practice which we know to be perfectly legitimate but which arouses suspicion on the part of sellers of cattle?

Mr. **Voigt**. No; I am not advising you to do away with anything that is right, but I do think that——

Mr. **Weld** (continuing). Can you see anything wrong in this practice?

Mr. **Voigt**. I think the whole thing is wrong.

Mr. **Weld**. You think that wiring on is wrong?

Mr. **Voigt**. I think the practice of wiring on is to discourage producers from shipping their cattle to another market.

Mr. **Weld**. We do not do it to let them know, or for the purpose of bidding lower on the second market, and the results do not show that we do bid lower there. Do you think it is wrong because there is suspicion against it, or do you think it wrong in the case of the department store in Washington which I cited a while ago?

Mr. **Voigt**. I was not here when you cited that case. I think where this practice is wrong is in the fact that you have what to my mind amounts to a virtual monopoly of the cattle market. My idea is that you——

Mr. **Weld** (interposing). You are assuming that the five packers are in collusion and that other buyers cut no figure in the case. Since you assume that premise then what you follow it up with in the matter of a conclusion is wrong, simply because your premise is not correct.

Mr. **Voigt**. Let me tell you what my conclusion is: The report of the Federal Trade Commission is that you five packers purchase 75 per cent to 80 per cent of the cattle that reach these markets.

Mr. **Weld**. Yes, sir; but in competition with each other.

Mr. **Voigt**. Well, assuming that you are in competition. The fact is that the five of you have such control over the purchase of the product that you can very largely affect the price.

Mr. **Weld**. If we work together, but there is no control because each is working independently.

Mr. **Voigt**. That is your statement, but I am of opinion that you people do work together. Now, assuming that you do not work together you buy such a large proportion of the cattle sold, and all of you are informed, it would seem, that a certain man is shipping on his cattle from one market to another; and you are informed as to the details of the shipment; and you know what they look like; you know how many there are; you know how much he was bid in each market, and know how much he demanded in that market; with the result that you have him in a position that he is not going to get any more for his cattle in the second market than he could in the first.

Mr. WELD. No; even if the five packers worked together in the one business and tried to depress the price in the second market and pay less than the cattle were worth; and even though the percentage of purchases made by other people was not great, it would become great at once if this were attempted. Within a week after we should try to depress the market through collusion they would buy them to ship them to other markets, or to use themselves, so that cattle would sell ultimately for all they were worth in the form of meat and by-products. Until you can give some evidence that we do not pay in the different markets all that the stuff is worth, all that it is possible to pay for it, as compared to what we get out of the cattle in the form of meat and by-products, you have no case. That is all. I do not mean to say that there are not individual instances where cattle may not be bought slightly below the market, because our buyers are trying to buy as low as they can, as I have explained before. That is the only way we can do business. I do not say that at some time we may not make a good buy. A commission merchant may misjudge the cattle and let them go at half a dollar a head cheaper than they ought to go, and we can in that way make a big profit with that particular load of cattle. But the next day it may go just the other way and we may pay more. The average of all the sales, of the great bulk of the instances, figure out so that it is just a question of a fraction of a cent a pound profit or loss.

Mr. CHAPLIN. How would this practice be beneficial to us? In what way is it beneficial to us to control in this way?

Mr. VOIGT. My idea is that you packers engage in the wiring-on practice for the purpose of discouraging people from shipping from one market to another, because you want to maintain a relative position on the different markets.

Mr. WELD. Well, they would maintain their relative position whether there was wiring-on or not or whether they were forwarded or not. We have no particular desire to discourage shipping from one market to another.

Mr. CHAPLIN. I can not see how it would benefit us in any way. We buy them on the market where they are and at the market price.

Mr. VOIGT. You say that you are interested in holding these different markets in line?

Mr. CHAPLIN. We are interested in buying on markets where they are cheapest and in trying to find out the cheapest market.

Mr. MCLAUGHLIN of Nebraska. With reference to the impression some of the producers have that there has been collusion, would not that report that I asked to have put in the record, where it is shown that the five packers engaged two men, a weigher and night clerk in Kansas City, who were drawing salaries for other work from other concerns, to furnish regularly to each of the five packers some information from Kansas City and other markets, would not that at least lead the innocent shipper, who knew that the information was coming from a source paid for by the five packers, to think what I have stated; would not that at least lead him to that conclusion?

Mr. WELD. Well, I do not know that it would. But that would not prove that there was any collusion in the bidding on cattle at Kansas City, the first market, or where they went to thereafter. As a matter of fact, there is nothing of the kind. It is a matter of convenience to have one or two men to get information that each party could get individually if he wanted to.

Mr. VOIGT. Here is a statement found on page 90, volume 2, the Federal Trade Commission report:

> A number of ex-packer buyers said that information of the nature contained in the above telegram is generally—

That is, a wiring-on telegram—

> in one way or another communicated to the buyers of the different packers and used by them to penalize shipments to second markets.

You would not agree with that, I take it?

Mr. WELD. I would not say that that information is never gossiped around through the yards. Possibly we might tell our commission man, and possibly the commission man who is trying to sell us this particular load of cattle may tell some other packer buyer, and it may get noised around that this is a forwarded shipment, and that there was a certain bid in the first market, but the last part you read, "and used by them to penalize shipments at the second markets," is absolutely false. That is a conclusion of the Federal Trade Commission, and there is absolutely no evidence to bear it out.

Mr. MCLAUGHLIN of Nebraska. They claim in this report that they got this information from some of your ex-buyers, men who were in your employ at one time.

Mr. WELD. Well, let them furnish the evidence, is all I can say.

Mr. TOMLINSON. Practically all of the live-stock shippers entertain that same suspicion.

Mr. WELD. I think a great many of them do, and yet there are a great many who do not.

Mr. TOMLINSON. There is a unanimity of opinion on it.

Mr. WELD. I find unanimity of opinion on a great many things that are incorrect and because of false statements put out like this report of the Federal Trade Commission.

Mr. TOMLINSON. As a matter of fact, this forwarding of cattle, unless they are forwarded under another name, is about stopped, I believe.

Mr. WELD. I do not know, but probably it is practically stopped.

Mr. TOMLINSON. There used to be a good deal of it.

Mr. WELD. There is normally a loss therefrom.

Mr. TOMLINSON. A number of packers continue to buy at one place and forward to another point.

Mr. WELD. When we do not get enough at one point we may buy at another and ship.

Mr. TOMLINSON. The forwarding by packers has increased but the forwarding by shippers has decreased?

Mr. WELD. No; I do not think that is true.

Mr. TOMLINSON. It is done, isn't it?

Mr. WELD. I do not believe it is done any more than it used to be done.

Mr. TOMLINSON. You say there is less forwarding of live stock than there used to be; didn't you say that, Mr. Chaplin?

Mr. CHAPLIN. I do not know whether that is true or not.

Mr. TOMLINSON. Mr. Weld said that, then. You also said that there was more forwarded by packers than heretofore?

Mr. WELD. No; I did not say that it had increased; but we have to do it to a certain extent.

Mr. **Chaplin**. We have to do that when we run short on certain markets. When we are short of killing capacity and have the killing capacity at other markets, we have to get the cattle there.

Mr. **Tomlinson**. Take Denver, for instance; do not the packers buy more there and forward them than before?

Mr. **Chaplin**. I do not think so.

Mr. **Tomlinson**. Isn't it a notorious fact that they are buying more lambs at Denver and forwarding them to other places than they ever did before?

Mr. **Chaplin**. It is because there are more receipts there than they can take care of.

Mr. **Tomlinson**. That is a fact anyhow?

Mr. **Chaplin**. Well, I do not know about that. You could not kill in Denver all that are sold there.

Mr. **Tomlinson**. Very little are forwarded by the producer, but they are purchased by the packers and forwarded by them?

Mr. **Chaplin**. I can not say as to that.

Mr. **Weld**. It might pay them to forward them, because they will bring whatever they are worth on the market.

The **Chairman**. The committee will now stand in recess until 2 o'clock p. m.

(Thereupon, at 12.20 o'clock p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to recess, at 2 o'clock p. m.

STATEMENT OF MR. L. D. H. WELD, OF CHICAGO, ILL.—Resumed.

Mr. **McLaughlin** of Michigan. You may proceed, Mr. Weld.

Mr. **Weld**. Another very good example of the description of perfectly proper everyday practices as though they are improper and illegitimate is found in the discussion under the heading "Making the daily market," part 2 of the Federal Trade Commission report, pages 83 to 99.

In this discussion there are reproduced telegrams sent by our officials in Chicago to our buyers in other markets, giving them instructions as to how to buy and telling them the condition in Chicago and in various markets.

These are explained as a means of controlling the market, and the inference, at least, is that there is collusion in this practice. Now, take, for example, on page 97, a telegram sent by G. F. Swift, jr., to Kansas City, South Omaha, and St. Louis, where it says:

> Try buy hogs lower and improve spread. We are trying buy 15/25 lower. K nsas City buy around 2,000, South Omaha around 2,000, St. Louis around 2,000.

That is put in there as though it were the means used to control the markets. It is simply an instruction to our buyers in those markets telling them to try to buy hogs lower; that they are trying to buy them lower in Chicago, and giving the number of hogs to buy. That we do every day and that we shall undoubtedly continue to do. There is absolutely nothing wrong about it and yet it is pictured here as a means of controlling the market.

The telegram on page 96 of the Federal Trade Commission report is a good example of how the Trade Commission tries to make out that means are used to control the market, and it also shows how little the Federal Trade Commission understands or how little it tried to find out, the circumstances of these telegrams.

The first telegram at the top of page 96 says:

> 17 J. C. Hogs opened 40 to 50 higher. Trying buy steady yesterday average.

The Trade Commission described that as follows:

> The first telegram, signed Swift, to "17 J. C." (apparently a code address), gave merely the information, "hogs opened 40 to 50 higher. Trying buy steady yesterday average." This means that the hog market opened 40 to 50 cents per hundredweight higher, and that an effort was being made to buy "steady," that is at the average prices of the day before. It amounts to an instruction to "17 J. C." to buy steady.

As though there were something illegitimate about that. The joke of that is that instead of being a code number, "17 J. C." merely means Jersey City.

Mr. ANDERSON. It says "code address," it does not say a code number.

Mr. WELD. "Apparently a code address," as though there was something mysterious about it.

Mr. ANDERSON. There is absolutely nothing mysterious about that.

Mr. WELD. No; but you read the report of the Federal Trade Commission and they seize on everything like that to impart some mystery to it. Another joke is that Jersey City does not buy hogs, so it does not amount to an instruction to buy steady.

Mr. McLAUGHLIN of Michigan. What meaning does the Trade Commission attach to those words or letters, "17 J. C."?

Mr. WELD. The Trade Commission merely says, "apparently a code address." It does not say what it means. Seventeen means the provision department and 17 J. C. means the provision department, Jersey City. The Trade Commission said nothing about that. But it is a perfectly natural and legitimate and everyday occurrence. We do that all the time and shall continue to do it; but it is pictured, all this together, as though they amounted to some illegitimate method to control the market.

This whole matter is discussed in our analysis and criticism from pages 57 to 62.

Now, I am going to pass on to this alleged lard compound agreement.

Mr. ANDERSON. Let me ask you one question on this, if I may: Is it the general practice for Swift & Co.—and I will only ask you to speak for Swift & Co.—to stay off the so-called 50-50 markets until the independents and order buyers and country buyers have taken what they want?

Mr. WELD. No, sir; it is not the practice at all. It happens sometimes that the independents are in the market at first and it happens at other times that we are in the market first and the independent is not buying at all. In fact, the independents, as we call them, are in and outers. They only buy when things look right, whereas we have to buy practically, and do buy, every day and have to.

Mr. ANDERSON. That would not be altogether true, for instance, with reference to the independents at Chicago, would it?

Mr. WELD. It is true of them, yes, to a certain extent anyway; not so much so perhaps as at——

Mr. ANDERSON (interposing). They have their regular patronage they have to take care of the same as you. It is a smaller capacity, but they have to keep it going. They can not buy very far in advance.

Mr. **Weld**. They do principally a hog business, and, of course, they protect themselves to a certain extent in their hog business by selling futures on the board of trade, and when they can buy hogs and at the same time sell futures, they buy very actively; that is, when it shows a profit, and when they can not do that they are more apt to stay off. They are not so regular in their buying as the large packers who have to rely almost entirely on their established trade—their customers—whom they have to supply with goods.

Mr. **Anderson**. You do not mean to say by that, of course, that the Big Five do not buy or sell on the exchange market or whatever you call it there—the board of trade?

Mr. **Weld**. No; only to a slight extent, so far as Swift & Co. is concerned. We merchandise our own stuff rather than delivering it on board of trade contracts.

Mr. **Anderson**. You do hedge your stuff on the board of trade?

Mr. **Weld**. I will have to ask Mr. Chaplin about that.

Mr. **Chaplin**. We are buyers on the board, although we do sell; but we are more largely buyers than sellers.

Mr. **Weld**. That is, when we need prime lard we will go there and buy it on the board of trade and take delivery.

Now, let me pass to this alleged lard-compound agreement which is discussed in Trade Commission report, part 2, pages 132 to 134 and is also covered in Swift & Co. analysis, pages 81 to 83.

Now, on this question of the lard compound agreement. Lard compound, as you understand, is a substitute for lard made of cottonseed oil, and the Federal Trade Commission reproduces some letters taken from Armour & Co.'s files which refer to there being an identical price—that is, that the prices of all competitors are the same—and it is very clear from this correspondence that there is some kind of an agreement on the price of lard compound, and it is in this connection that there appears the letter referred to by Mr. Tincher this morning, which ends up with this phrase:

> Also you might destroy this letter on the subject.

There the discussion of this matter ends in the Federal Trade Commission's report. The evidence is apparently very, very damaging to the packers. Here is positive evidence that there is an agreement between the packers; no explanation whatever.

Mr. **McLaughlin** of Michigan. Is that your statement or the statement of the Federal Trade Commission?

Mr. **Weld**. That is my statement, but you can verify it. It only covers two and a half pages in the Federal Trade Commission report. I do not know whether I understood your question or not. No, I say the evidence as it appears is apparently conclusive against the packers. Now, I am going to tell you the rest of the story. There was an agreement on lard compound. These letters are dated in January, 1918. The Food Administration had taken control of the food situation a month or two before that.

There had been meetings in December between officials of the Food Administration and the manufacturers of cottonseed oil and of lard compound, and they had agreed at that time on a fixed price for lard compound.

Mr. **Anderson**. Who had agreed, Mr. Weld, I did not just get your statement? You mean in these conferences you refer to?

Mr. **Weld**. Yes, sir. I know what you are coming to.

Mr. **Anderson**. No; you do not.

Mr. **Weld**. I think. There were circulars issued by the Food Administration showing that this agreement had been reached with the manufacturers of cottonseed oil and lard compound, but the circular as finally issued by the Food Administration said that the price should not exceed a certain amount.

Now, mind you, this matter of the Food Administration is never mentioned by the Federal Trade Commission in its reports. These letters are quoted showing that there must have been an agreement, and the report leaves it there and never mentions the Food Administration. Mr. Colver tries to wriggle out of this by giving to the Senate Committee on Agriculture in its recent hearing correspondence that he had with the Food Administration.

Mr. Colver's discussion appears in part 5 of the hearings on S. 2199 and S. 2202, pages 113 to 120.

Mr. Colver tries to make it out that the Food Administration circular authorized only a maximum price rather than a fixed price, or that the maximum shall also be a minimum, and he therefore concludes that Armour & Co. and their competitors in the lard-substitute business were engaged in an illegal agreement in restraint of trade, and that they knew it. That is what he told the Senate committee about a month ago on page 120 of these hearings.

Mind you, the Food Administration is never mentioned in the Federal Trade Commission report at all, but the correspondence with the Food Administration supplied by Mr. Colver, on careful reading, belies Mr. Colver's very words, and shows that he has apparently misinterpreted these letters with Mr. Hoover and other members of the Food Administration in order to try to defend the stand of the Federal Trade Commission in its report.

For example, you will read from a letter of S. J. Cassels, cottonseed industry section, on page 115, as follows:

> We had an agreement with the refiners of cottonseed oil and manufacturers of lard substitute that they would buy crude oil from the crushing mills in the South at 17½ cents per pound.

He then went on to explain that a margin of 5 cents a pound was allowed to manufacturers of lard substitute, and said:

> This resulted in a price of 22½ cents to the jobbing trade.

In other words, that statement is to the effect that the agreement with the manufacturers of cottonseed oil and lard compound resulted in a definite, fixed price, and with a differential of 5 cents for lard compound over the price for cottonseed oil. That letter that Mr. Colver received——

Mr. **Anderson** (interposing). You have just quoted from a memorandum of Mr. S. J. Cassels to Mr. Hoover.

Mr. **Weld**. Yes, sir.

Mr. **Anderson**. In which he explained to Mr. Hoover what the agreement was.

Mr. **Weld**. Yes; and which was supplied to the Federal Trade Commission.

Mr. **Anderson**. Yes.

Mr. **Weld**. Now, then, the Federal Trade Commission was not satisfied with that and wrote to Mr. Hoover, who himself answered in a long letter, beginning at the top of page 118 of the hearings.

CORRESPONDENCE WITH FOOD ADMINISTRATION.

The commission's first letter to Food Administrator Hoover:

OCTOBER 19, 1918.

DEAR SIR: The Federal Trade Commission respectfully calls your attention to a statement by the big packers printed in the Congressional Record of October 3, 1918, pages 11987–11994. Copy herewith inclosed.

Please read particularly beginning with the paragraphs—

"The commission. in its support of its contention on this point, offers certain correspondence, quoted on pages 36 and 37 of the report" (p. 11991).

continuing through the paragraph and ending—

"And this was merely a letter from one of the companies to his own agent, admonishing him to go after the business, and see that none of his competitors deviated from the prices outlined by the Food Administration; and if so, to be certain of his facts and report it" (p. 11992).

From this record there is no question that beginning January 14, 1918, the big meat-packing companies and other wholesale sellers of lard substitutes had an understanding to charge the same price for this commodity. Again the record is clear that the sales manager of Armour & Co. expected to prevent any deviation from this price, because he instructed his employees:

"If you find any deviation, make doubly sure that ou are right by seeing the bill, noting the date of same, quantity sold, and the price, and let me have it."

The packers in the statement herein referred to claim:

"The facts are that the uniform prices referred to had been suggested by the Food Administration of the Government, which has regulated and stabilized the prices of many basic food products since our entry into the war."

If the Food Administration did set, or suggest, a definite price on lard substitutes, the Federal Trade Commission was not aware of it. The commission was under the impression that it had not been, at least up to that date, the policy of the Food Administration to fix definite prices above or below which a dealer was not permitted to sell. In this case the commission assumed that neither the Food Administration nor any other Government agency had set a definite price on lard substitutes from which the dealers in that commodity were not permitted to deviate.

This bids fair to become a matter of controversy with the packers, and in order to be fully informed we request that you inform us whether its conclusions were correct. If the Food Administration did suggest a price to be charged for lard substitutes, please advise us whether the Food Administration permitted dealers to sell for less than the price suggested.

By direction of the commission.

Yours, very truly,

——— ———, *Chairman.*

Hon. HERBERT C. HOOVER,
United States Food Administrator, Washington, D. C.

Hoover's reply:

OCTOBER 29, 1918.

Mr. WILLIAM B. COLVER,
Chairman Federal Trade Commission, Washington, D. C.

DEAR MR. COLVER: I referred your letter of the 19th to Mr. Cassels, of the cottonseed division, as he is most familiar with the matter of lard substitute, and I inclose you herewith a copy of his reply to me, with attachments.

Faithfully, yours,

HERBERT HOOVER.

Cassels's letter to Hoover:

UNITED STATES FOOD ADMINISTRATION,
October 23, 1918.

To: Mr. Hoover:

With reference to the attached letter from the chairman of the Federal Trade Commission under date of October 19, I wish to say that as part of our stabilization program as it relates to the cottonseed industry, beginning last January we had an agreement with the refiners of cottonseed oil and manufacturers of lard substitute that they would buy crude oil from the crushing mills in the South at 17½ cents per pound f. o. b. points of production, and we would grant them a spread or margin of 5 cents a pound to cover the moving of this crude oil into the lard substitute factories, converting it into lard substitute and delivering it to the jobbing trade. This resulted in a price of 22½ cents to the jobbing trade.

We also had an agreement with these manufacturers who were selling direct to the consuming trade that the margin between this wholesale price and the retail price would be 1¼ cents per pound.

I inclose herewith copies of our circulars of January 5 and February 15, 1918, which were sent to the refiners and manufacturers of lard substitute covering these trade agreements.

We have in effect now a similar arrangement covering the lard substitute being manufactured from the present crop of cottonseed oil.

S. J. CASSELS,
Cottonseed Industry Section.

Food Administration circular of January 5, 1918:

To refiners and lard substitute manufacturers:

GENTLEMEN: In order to stabilize the cottonseed industry to translate the price obtained by the producer directly into the price paid by the consumer for the finished product, to assure a liberal return to those performing necessary manufacturing services in producing the finished product, the Food Administration has established the following spreads or differentials:

For the buying and selling of cotton seed by seed merchants, not exceeding $2 per ton plus customary loading charges.

For the crushing of cotton seed, including bags, all manufacturing profits, not exceeding $13 per ton.

For the refining of crude cottonseed oil, not exceeding 3 per cent on the gross sales of loose refined oil.

For the manufacturing of lard compound from crude cottonseed oil not exceeding 5 cents per pound between the selling price, delivered jobbing centers, tierce basis, and the price of basis prime crude oil f. o. b. mills, with 1 cent per pound additional for packaged goods.

By voluntary agreement of the great majority of manufacturers of lard compound in the United States it has been agreed that lard compound will be sold by them at not exceeding 22½ cents a pound delivered average jobbing points, tierce basis.

All elements in the business to-day are expected to cooperate to bring about the best results and to prevent any undue congestion at any one point, or in any one factory. It must be the endeavor of all to keep cotton seed and its products moving in a regular uninterrupted channel from producer to consumer. To this end your tank car equipment should be utilized upon a cooperative plan, if necessary, to relieve any congestion at any crushing point. The liberal spread or differential of 5 cents per pound is intended to induce you to carry the full amount of oil permitted by your facilities.

We desire that you write us that we will have your cooperation in this matter and that you fully understand the same. Hereafter will you please address your communications to the Food Administration for the attention of Mr. Pyle?

Very truly, yours,

UNITED STATES FOOD ADMINISTRATION,
By ——— ———.

Food Administration circular of February 15, 1918:

To oil refiners and lard-substitute manufacturers selling lard substitute direct to the retail trade:

The various branches of the cottonseed industry entering into the manufacture and distribution of cottonseed oil and its products, cooperating with and working under the rules and regulations promulgated by the United States Food Administration have brought about a certain element of stabilization which has tended to prevent speculation in cottonseed products and to insure delivery of the finished product to the consumer at a reasonable profit over the price to the oil producer plus reasonable manufacturing and distributing costs.

To insure the maintenance of this stabilization, it has been demed advisable by the United States Food Administration to issue the following temporary ruling effective until further notice:

One and one-quarter cents per pound over the manufacturer's price to the jobbing or wholesale trade on standard brands of lard substitute is hereby determined a permissible margin for the additional service on all sales of such standard brands made by the manufacturers direct to the retail trade.

This ruling if effective on all contracts made on and after February 20, 1918.

UNITED STATES FOOD ADMINISTRATION.

The commission's second letter to Hoover:

OCTOBER 31, 1918.

MY DEAR MR. HOOVER: I have your letter (10-H-2 RW) of October 29, in reply to the commission's letter of October 19, but find that the matter is not yet clear.

The commission's letter of the 19th was occasioned by the fact the evidence published by the commission indicated the existence in January, 1918, of an illegal agreement on the part of Armour & Co. and its competitors for uniform prices on lard substitutes and the fact that the packers in a statement printed in the Congressional Record said that these uniform prices had been suggested by the Food Administration. The commission, understanding that the law as effective in January, 1918, did not permit the Food Administration to set a fixed price and assuming that Armour & Co. and its competitors had used a proper regulation of the Food Administration as a cloak for a secret and illegal agreement among themselves wrote you on the 19th requesting information as to the basis in fact, if any, of the packers' statement.

Your letter of the 29th hands to us copy of a letter of the 23d addressed to you by Mr. S. J. Cassels, of the cottonseed industry section of the Food Administration, to whom you had referred the matter, and a copy of a Food Administration circular of January 5, 1918, to refiners and lard substitute manufacturers, which Mr. Cassels had inclosed in his letter to you.

The point that is not yet clear arises from Mr. Cassel's letter and from the circular, for his letter and the circular appear to contradict each other on the precise point of the fixedness of the prices.

The letter speaks of the agreement of the Food Administration with the refiners and substitute manufacturers as granting them a spread or margin "of 5 cents a pound," which "resulted in a price of 22½ cents to the jobbing trade," and speaks of the margin between this price and the retail price as "1½ cents per pound."

Against this, the circular says the differential is to be "not exceeding 5 cents per pound," and the jobbing price to be "not exceeding 22½ cents per pound."

In full, the pertinent paragraphs of the circular and of Mr. Cassel's letter are:

The letter:

"Beginning last January we had an agreement with the refiners of cottonseed oil and manufacturers of lard substitute that they would buy crude oil from the crushing mills in the South at 17½ cents per pound f. o. b. points of production, and we would grant them a spread or margin of 5 cents per pound to cover the moving of this crude oil into the lard-substitute factories, converting it into lard substitute and delivering it to the jobbing trade. This resulted in a price of 22½ cents to the jobbing trade.

"We also had an agreement with those manufacturers who were selling direct to the consuming trade that the margin between this wholesale price and the retail price would be 1½ cents per pound.

"I inclose herewith copies of our circulars of January 5 and February 15, 1918, which were sent to the refiners and manufacturers of lard substitute, covering these trade agreements."

The circular of January 5, 1918:

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., January 5, 1918.

To refiners and lard-substitute manufacturers.

GENTLEMEN: In order to stabilize the cottonseed industry, to translate the price obtained by the producer directly into the price paid by the consumer for the finished product, to assure a liberal return to those performing necessary manufacturing services in producing the finished product the Food Administration has established the following spreads or differentials:

* * * * * * *

"For the manufacturing of lard compound from crude cottonseed oil not exceeding 5 cents per pound between the selling price, delivered jobbing centers, tierce basis, and the price of basis prime crude oil f. o. b. mills, with 1 cent per pound additional for packaged goods.

"By voluntary agreement of the great majority of manufacturers of lard compound in the United States it has been agreed that lard compound will be sold by them at not exceeding 22½ cents a pound delivered average jobbing points tierce basis."

* * * * * * *

Very truly, yours,

UNITED STATES FOOD ADMINISTRATION,
By ——— ———.

The circular, we naturally assume, represents the official agreement correctly as a maximum price arrangement by which customers were protected from any higher price than the maximum, but which did not in any way countenance a private, illegal agreement by Armour & Co. and its competitors to use the maximum as a fixed price, thereby eliminating all competition among themselves, nor in any way countenance the steps taken by Armour & Co. to detect competitors who should sell below a fixed price.

Mr. Cassel's letter, we assume, inadvertently appears to contradict the circular, and speaks as if the Food Administration agreed with the manufacturers on a fixed price.

Under these circumstances will you not be good enough to give the matter your personal attention and advise us as to the exact terms of the official agreement in this respect?

You will appreciate the importance to the commission of ascertaining the error, if any, in the statement it made in the summary of its meat report, and the importance to your organization that measures to limit prices shall not be used for private price fixing. This will excuse the length of our letter and our request for your personal assurance in the matter.

By direction of the commission.

Yours, very truly,

——— ———, *Chairman.*

Hon. Herbert Hoover,
United States Food Administrator, Washington.

Mr. Hoover's reply:

In your reply refer to 14-H-I—MD.

United States Food Administration,
Washington, D. C., November 9, 1918.

Hon. William D. Colver,
Chairman Federal Trade Commission, Washington, D. C.

My Dear Mr. Colver: I have your letter of October 31 with regard to the lard-substitute regulations. Since our meeting with the lard-substitute manufacturers in December, 1917, there has been a considerable difference of opinion as to the exact nature of the informal agreement entered into at that time. It was my own impression that there was no agreement not to sell below 22½ cents to the jobbing trade. Several members of my staff, however, received a different impression, and I believe that the manufacturers also in good faith understood that the 22½ cents was an absolute price.

I feel further that if the matter had been insisted upon, and a uniform contract obtained from each of the manufacturers, that I should have consented to the insertion in the agreement of a clause making the 22½-cent price a minimum as well as a maximum for the following reasons connected with our cottonseed proclamation. Cotton seed has always been a highly speculative commodity from the time that it left the farmer, passed through the hands of the seed dealer, the crushing mill where the oil is extracted, the refinery where it is refined, and the factory where the refined oil is manufactured into lard substitute. The commodity in all its forms is highly perishable, and the storage space is limited except for the tanks owned by the refiners and the lard-substitute manufacturers. In the past there has always been a rush of seed to market in the fall with a consequent depreciation in price. After the bulk of the crop is marketed the price of the products would gradually rise, especially as a shortage threatened, and large speculative profits accrued to the various intermediates handlers.

In our effort to limit speculation it soon became apparent that the only feasible method was the establishment of a stabilized price for cottonseed oil, for it has always proved impractical to prescribe margins on any product of which the price fluctuated rapidly because of the many losses which the handler may have to take.

A stabilized price for the crude oil enabled us on the one hand to compel the crushing mill to pay the producer the full value of his seed and on the other hand prescribe definite margins to bring the product to the consumer at a price which was in fact a reflection of the producer's price. We accordingly stabilized the price of cottonseed oil at the crushing mill at 17½ cents per pound.

This action was only feasible through the cooperation of the lard-substitute manufacturers and their agreement that they would buy at a uniform price throughout the year. We requested the manufacturers, furthermore, to buy hevaily in the fall and hold sufficient stocks of oil to last through until the next cotton crop. This involved heavy carrying charges to the manufacturers who responded to our appeal, and I felt that they were entitled to the 5 cents margin fixed upon as representing a fair differential including a reasonable profit.

Some of the manufacturers did not respond to our appeal and took advantage of the fact that under the stabilized program they could carry no stocks and yet purchase oil in the spring at the same price as they could have done in the fall, a condition created solely by our program and entirely different from that customarily prevailing. Such manufacturers were, of course, able to sell some lots of lard substitute at prices under 22½ cents without selling below cost, but we did our best to discourage any such action because it was in fact taking advantage of the condition we ourselves had created and the patriotism of other manufacturers. It tended to prevent the disposal by such manufacturers of the stocks that they had bought at our direct request.

It is of course entirely opposed to the policy of the Food Administration in the ordinary case to prescribe a minimum price, and it is probably beyond our powers except by special agreement. In the present case, however, as in one or two others where the exigencies of the entire program required such action in order to accomplish the end desired, namely, a reduction in the margin between the producer and the consumer over the entire field, we have approved the policy of a minimum price. The results in the present case show that the margin between the price of cottonseed sold by the producer and the price of lard substitute purchased by the consumer is smaller than it has ever been in the past in terms of percentage, and lard substitute has been consistently selling on a larger differential below lard than it has ever sold before.

I should be glad to discuss the entire program with you if you should desire to do so.

Faithfully, yours,

HERBERT HOOVER.

Mr. Armour, in introducing the circular of December 28, 1917, in his testimony explains that there were meetings and negotiations between the manufacturers of lard substitutes and the Food Administration, and that a plan was outlined for stabilizing the refined oil and lard substitute branches of the cottonseed industry, "which contemplated a fixed price for the lard substitutes at a fixed differential over and above the cost of the material." He says that this was finally approved at a meeting in Chicago, December 12, 1917, between representatives of the manufacturers and a representative of the Food Administration, and that "the matter was finally put in permanent form by a circular issued by the United States Food Administration under date of December 28, 1917."

The difference between the "permanent form" of the agreement, as stated in the circular of December 28, and the "condensed form" in the circular of January 5, are exactly the differences between an agreement for a fixed price and an agreement for a maximum price as respects lard compounds.

Both circulars fix for the buying and selling of cottonseed by seed merchants a charge "not exceeding $2 per ton, plus customary loading charges."

Both circulars, for crushing of cottonseed and manufacturing profits, fix a charge of "not exceeding $13 per ton."

Both circulars, for the refining of crude cottonseed oil, fix a charge of "not exceeding 3 per cent on the gross sales of loose refined oil."

Both circulars, for the manufacture of lard compound from crude oil, fix a charge "not exceeding 5 cents per pound between the selling price, delivered jobbing centers, tierce basis, and the price of basic prime crude oil f. o. b. mills, with 1 cent per pound additional for packaged goods."

Thus far the two circulars agree. Thus far in the steps from the buying of the seed to the finished manufacture of the products we have maximum differentials, not fixed differentials.

The next paragraph brings us to the selling price of lard compound, and here the two circulars differ in essence. The "permanent form" of December 28 states that by voluntary agreement of the great majority of manufacturers of lard compound it is agreed that lard compound will be sold by them "at 22½ cents a pound delivered average jobbing points tierce basis."

In the circular of January 5 the statement is that the lard compound will be sold at "not exceeding 22½ cents a pound delivered average jobbing points, tierce basis."

In this it would seem that the "permanent form" and the "condensed form" are exactly opposite, the "permanent form" being, in the opinion of the commission, without sanction in the lw creating the Food Administration, and the "condensed form," of January 5, 1918, being an agreement valid under that law.

The only other essential difference between the two circulars is this:

The circular of December 28 contained in the sixth paragraph the following sentences which were omitted from the circular of January 5:

"From this you will see that the Food Administration regards 17½ cents per pound as a fair price to be paid to the crusher for crude cottonseed oil at all points. All oil should be purchased from the crude mills at the same price without regard to location."

If the packers were operating in accordance with the circular of December 28 it is clear that as Sharpnack said to his Armour manager, "everybody's price must be the same as yours." If the packers were operating under the circular of January 5, everybody's price would not necessarily have been the same as the Armour price.

The difference between the two circulars seems to the commission to explain what Mr. Armour was unable to explain, namely, why Whelen, of the Armour lard department, wrote to Sharpnack:

"* * * It occurs to us that we should not make any noise about competitors' prices being identical, etc. Under present conditions, this is not advisable, as you are undoubtedly aware. Also, you might destroy this letter on the subject."

Under all the circumstances, the commission sees no reason to change now its original finding, viz, that Armour & Co. and their competitors in the lard substitute business were engaged in an illegal agreement in restraint of trade, and that they knew it.

An unpublished lard compound letter shows explicitly that Armour agents were made by their Chicago office to believe that the 22½ cents was a "minimum" price and that they would get in trouble with the Government if they sold compound for less.

Mr. WELD. All I can say is that anybody who reads this with an open mind and a fair mind will realize that the Federal Trade Commission has been extremely unfair in referring to this question of the lard-compound agreement at all without mentioning the fact that the uniform price was brought about by the Food Administration; and also that anybody who reads this correspondence with Mr. Hoover fairly will realize that the Federal Trade Commission's case is really weakened rather than strengthened.

Mr. McLAUGHLIN of Michigan. Was Mr. Hoover's letter in the possession of the Federal Trade Commission at the time that report was prepared?

Mr. WELD. I do not think it was. I think this correspondence with the Food Administration—let us see—the final letter from Mr. Hoover was dated November 9, 1918, and this part of the Federal Trade Commission report is dated 1918. I think it came out in October of that year or somewhere around there.

Mr. ANDERSON. The letter of transmittal was dated November 25, 1918.

Mr. WELD. November 25. That is another defense that was made in the hearings, that the Federal Trade Commission did not know about this arrangement with the Food Administration. I think that is a mighty poor defense, when it openly charges us with an illegal price agreement without going into the matter at all.

Mr. ANDERSON. You will admit, I take it, that the letter quoted on page 134 of the report might very well give rise to some suspicion?

Mr. WELD. Why, certainly, yes; and that is just the trouble. They put in letters that arouse suspicion without any explanation at all. That is one of the worst things the Federal Trade Commission does.

Mr. CHAPLIN. And also without asking any one about them; without asking the people who wrote them.

Mr. WELD. They could have found out very easily about this if they had had any desire to find out anything on the other side of the question. This matter of "please destroy the letter on the subject," that Mr. Tincher asked about this morning; it is perfectly obvious why a packer should have written that on a letter in view of the fact that Mr. Heney was conducting these open hearings and reading scraps of correspondence into a public hearing that were copied in the newspapers. That very thing has been copied in the newspapers.

Mr. **Anderson**. Well, if that was his purpose, it evidently was not accomplished.

Mr. **Weld**. It was not accomplished, and yet what has developed has shown that he was very well justified in making such a suggestion, because exactly what he said might happen in the letter did happen.

Mr. **Anderson**. No; he did not say what might happen.

Mr. **Weld**. He said it might look bad, "under present conditions this is not advisable, as you are undoubtedly aware."

Mr. **Anderson**. In view of the fact that this was all the subject of an agreement between the Food Administration and the persons concerned in the manufacture of lard substitute, and that the whole matter could be made public at any time, I do not see why there should be any reason to suspect any wrong inference could be drawn from any letter which was frank on the subject.

Mr. **Weld**. We had plenty of examples along about that time of just such letters being read into public records and being quoted in the newspapers that put us in an entirely wrong light. Of course, I will admit that was a poor thing for the Armour man to write. If he was referring to the identical prices at all, he should have said, "As brought about by an agreement with the Food Administration," and that would have cleared the whole thing.

Mr. **Anderson**. What is that?

Mr. **Weld**. I say that the Armour man should have written in his letter when he referred to identical prices that the identical prices were brought about by agreement with the Food Administration or something to that effect, and that would have cleared the whole matter. Of course, if that had occurred, the Federal Trade Commission would not have used this stuff at all in their report. We would not have heard anything about it. Possibly, there were some other letters that referred to that which were not copied here. That thing has very often happened.

Mr. **McLaughlin** of Nebraska. How do you arrive at the exact conclusion, Mr. Weld, that the Armour party who wrote this letter did have in mind the Heney investigations instead of something else?

Mr. **Weld**. I said this morning that all I could do was guess. I have never talked with an Armour representative on this matter, but I can see a perfectly good reason why he should not want a letter of that sort to be floated around and have a Federal Trade Commission agent or examiner pick it up and have it printed in the newspapers without any explanation of what brought about those identical prices.

Mr. **McLaughlin** of Nebraska. You could not think of any other reason for his writing it?

Mr. **Weld**. No; because it was perfectly legal and aboveboard. The fact that the prices were identical was brought about by the Government itself as a war measure.

Mr. **McLaughlin** of Michigan. If the writer of the letter had in mind that it might be used by the Federal Trade Commission, it would seem to me more natural that he should have written into it that it was done by arrangement with the Food Administration rather than that he should guard against the use of that letter improperly by advising that it be destroyed.

Mr. **Weld**. I agree with you on that. It would have been a much better thing to do, if he had said something about an agreement with the Food Administration, he would not have had to worry about somebody getting hold of the letter.

Mr. **McLaughlin** of Michigan. When he wrote those letters or that portion of the letter suggesting it be destroyed if he had in mind that the Federal Trade Commission might get hold of that letter and make an improper use of it, it seems to me it would come to his mind to write into it that that price was fixed by agreement with the Federal Food Administration.

Mr. **Weld**. It would seem so to me, but he apparently did not, and you can not show any reason why he should have done that as long as the agreement was brought about by the Food Administration. There was nothing to be ashamed of and nothing to try to keep dark.

Mr. **Anderson**. Here are three letters written between the 24th of January and the 30th of January, 1918, evidently a series of letters back and forth, in regard to this lard compound price, none of which makes the slightest reference to the fact that there was an arrangement with the Food Administration about it, or that the Food Administration had set up any price or that the price referred to was the price set up by the Food Administration. As a matter of fact, the price mentioned is not the price mentioned by the Food Administration, 23 cents instead of 22½cents.

Mr. **Weld**. That is probably the market differential in Pittsburgh. The prices are basic Chicago prices and vary in different markets according to freight, but the records do show that an agreement was entered into before this correspondence took place, and that was the reason for the prices being identical, and Mr. Hoover's own letter here, given by the Federal Trade Commission, makes it very clear and conclusive.

Mr. **McIsaac**. I think I may say here about that Sharpnack letter, that that particular letter was taken not from the man who received it but from the man who sent it, so that if his reason for putting that in was that Mr. Heney might get hold of the letter, the writer of the letter disobeyed his instructions to the receiver of the letter, because he kept the letter that he told the other man to destroy.

Mr. **Weld**. Well, he was very careless. But think of describing this whole thing as though it was something illegal that the packers had done and never mentioning the Food Administration in connection with the presentation of this matter.

I would like to call your attention to a statement by the Federal Trade Commission—I am leaving that subject now—on page 154 of part 2 which says that the large packers had a control, estimated in the trade, to be over 65 per cent of the dressed poultry and eggs shipped in the United States.

Later on, in part 1, which was issued after part 2 was issued, on page 231, the Trade Commission says:

> Judged conservatively by trade estimates, the Big Five packers handle at least half the poultry, eggs, and cheese in the main channels of interstate commerce.

First it is estimated at 65 per cent and then reduced to 50 per cent

Now, in the first place, those figures——

Mr. **Anderson**. Right there, one of them referred to poultry sold and the other referred to poultry, eggs, and cheese.

Mr. WELD. It refers to poultry, eggs, and cheese, and including cheese it would increase rather than decrease the proportion, because they handle more of cheese than they do of the other products. My point is that these figures, 65 per cent or 50 per cent, whichever the Trade Commission wants to stand by, vastly exaggerate the importance of the large packers in the handling of poultry and eggs. I do not know just what the proportion is on cheese, but possibly 50 per cent would not be so far out of the way; but on poultry and eggs, and also on butter, Swift & Co. gives on page 93 of its analysis the total production of poultry, eggs, and butter in 1918; the amount entering trade channels; that is, the amount sold, a certain amount is consumed on the farm, and the estimate of the Department of Agriculture showing the amount sold or entering trade channels. Then the quantity handled by Swift & Co. and the proportion that that is of the total production and of the total amount entering trade channels, Swift & Co. is the largest handler of poultry, eggs, and butter in the country, and its proportion of the poultry entering trade channels was 6 per cent; of eggs, 6.3 per cent; and of butter, 5.9 per cent.

I do not know how much is handled by the other packers, but the total proportion of those three commodities could not be more than 15 or 20 per cent at the outside. Of course, the Trade Commission says 65 per cent or 50 per cent shipped in the United States in one place or in the main channels of interstate commerce in another place.

If it has any reliable figures to go on, rather than the estimates of the people in the trade, which I believe it is said it had taken; that is, "according to the estimates of people in the trade the proportions were so and so"—of course, the estimates of the people in the trade could not be very well relied on, because they were trying to help make out a case against the packers in the handling of these commodities and trying to make them out as large as possible; but even if those figures were correct as to the main channels of interstate commerce—and I say there is no way of getting accurately at those figures—that would not tell the story at all, because we come in competition in the sale of butter, eggs, and poultry, just as we do in the sale of meats, with every egg and every pound of butter and every pound of poultry that is sold to a country store, so far as that is concerned, and the only real measure as to what proportion of the total trade we handled is the amount sold or the amount entering trade channels.

Mr. VOIGT. I notice you have jumped from section 2 to section 4 of the Federal Trade Commission report.

Mr. WELD. Well, I will be very glad, if you want to take the time to discuss the so-called agreements in the creamery trade or the international meat pool, so-called, or any of those things. I did not do that, because it has taken so long. It took all this morning to cover one point, and I am trying to cover some of the most important points without going into everything.

Mr. VOIGT. Section 3, on page 134, of volume 2, is entitled, "Market manipulation and the division of territory in the cheese business." I am very much interested in that and I would like to hear what you have to say about it.

Mr. WELD. Well, I will refer to our analysis and criticism on page 83, and I will call your attention to the fact that none of the correspondence quoted there was taken from the files of Swift & Co., so my company is not concerned with that matter to any great extent.

At the top of page 135, of the Trade Commission's report, the firm of Pauly & Pauly is listed as a packer-controlled firm because this firm sells 80 per cent of its output to Swift & Co. It is true that we buy very heavily of this concern with whom we have had satisfactory relations; but it is not true in any sense that this firm is controlled by Swift & Co. The alleged control of this firm is made use of by the Federal Trade Commission in an attempt to show collusion between Armour & Co. and Swift & Co., by introducing into the reproduction of a letter from Armour & Co.'s files (bottom of page 135 of the report), a parenthetical remark which was not in the original letter. This point is mentioned merely as an illustration of the methods used by the Trade Commission to imply collusion. Such implications have the force and effect of absolute assertions in the minds of many readers of Government documents.

In connection with this cheese business, Swift & Co. also wishes to state that we buy over 90 per cent of our Wisconsin cheese purchases from wholesale dealers, in whom we have no financial interest, and that we buy the remainder direct from cheese factories, none of which we own. We buy no cheese on the cheese boards in that State. We have never tried to affect the quotations on the cheese boards, and we have no agreements or conspiracies with other packers or dealers to affect cheese quotations or to divide territory in any way whatsoever.

Mr. VOIGT. Which one of the five does the largest cheese business?

Mr. WELD. Armour & Co.

Mr. VOIGT. Can you state about what the relative proportion is among the five, as to their cheese handlings?

Mr. WELD. No; I think that is brought out in part 4 of the Federal Trade Commission report, manuscript copy of which we had access to for a few days in Chicago, although the wholesale grocers in working up their case had had access to it for a month before we knew it was available to the public at all, and I think it gives the figures there of the amounts handled by the different packers. I have not those figures here, but Armour is the largest and Swift is the next. Where the others come I do not know. I think they are relatively small, though.

Mr. VOIGT. While we are on this subject, you have examined the letters bearing on cheese prices and manipulation quoted in section 3 of the report.

Mr. WELD. I read those a long time ago. They are not very familiar to me. If there is anything there that looks like an attempt to influence the quotations on the cheese markets and the boards in Wisconsin by any others of the packers, I know nothing about it and am not competent to testify on it.

Mr. VOIGT. You do not want to be understood as testifying that there is nothing——

Mr. WELD (interposing). No, sir; I am not testifying——

Mr. VOIGT (continuing). In these pages that would show a manipulation of the market.

Mr. WELD. I am not testifying to anything except the fact that Swift & Co. has not attempted to manipulate any prices and that we have no agreement and have no form of collusion with other packers in buying Wisconsin cheese.

Mr. Voigt. Can you say whether Armour & Co. intend to have a witness here who is familiar with these cheese letters?

Mr. Weld. I do not know whether they do or not.

Mr. Voigt. Is there any one here now for Armour & Co.?

Mr. Weld. No, sir; there is not anybody in the room. I do not think there is anybody in town. Their attorney has been here part of the time, but I think he has left town.

Mr. Tincher. He was here the other day when I was talking about the Armour Leather Co., or at least the man who was pointed out as Armour's man.

Mr. Weld. I have understood that he has gone home.

Mr. Anderson. Mr. Weld, in these percentages you have given of Swift & Co.'s proportion of the poultry, egg, and butter business, etc., are those figures including your subsidiaries?

Mr. Weld. Yes, sir.

Mr. Anderson. I mean Swift & Co.'s subsidiaries.

Mr. Weld. Yes, sir; absolutely. All our figures include all of our subsidiaries.

Mr. Anderson. Was any part of this business done through Libby, McNeill & Libby?

Mr. Weld. Not butter, eggs, cheese, or poultry; no.

Mr. McLaughlin of Michigan. You may proceed, Mr. Weld.

Mr. Weld. Is there anything else on those parts I have omitted? You will find answers to all those things in our analysis and criticism.

Mr. Anderson. I would just like to say this, that if you or any of these gentlemen claim that the Federal Trade Commission's figures as to the proportion of business in butter, cheese, eggs, and poultry you are doing is not correct, I think it is up to you to bring in the correct figures.

Mr. Weld. You mean for all the packers?

Mr. Anderson. Yes.

Mr. Weld. Well, I am not prepared to do that, unless the figures are in part 4 of the Federal Trade Commission report.

Mr. Anderson. I am not asking you to do it. I am simply saying I think it ought to be done by somebody.

Mr. Weld. It is perfect'y obvious that 50 per cent and 65 per cent are vastly exaggerated figures. It is well known that Swift & Co. is the largest handler of those commodities. It is well known that Armour is also a large handler, but does not handle anywhere near as much as Swift, and it is also known that the other three packers have handled an extremely small proportion. I have said 15 or 20 per cent. I do not believe it is over 15 per cent at the outside that the five large packers handle of the total in the United States, and the point is that the largest one in competition with all others handles only 6 per cent.

Mr. Anderson. Of course, it makes a great difference whether you say the total amount of cheese, eggs, butter, and poultry consumed in the country or if you say the amount which enters into interstate commerce.

Mr. Weld. The amount that enters interstate commerce has no significance. As I have said, it is not an adequate measure at all of the proportion handled by the large packers, because we come in competition with every bit of butter, eggs, and cheese that is sold to a country store and never enters interstate commerce.

Mr. Anderson. I think there is some question about that. It seems to me, at least, from the standpoint of competition between the Big Five that the important end of the business is the interstate end.

Mr. Weld. I know, but that yields you no measure as to any control over the market, especially when the five packers are in competition with each other, and the largest one handling only 6 per cent.

Of course you come in competition even with farmers who consume their own eggs to a certain extent, but in the case of butter we come into competition with them very directly, because a lot of them market all their butter fat and buy the butter that we distribute.

Mr. Anderson. You are in competition with the butter that is shipped by creameries and other dealers in butter handled in interstate commerce?

Mr. Weld. The most direct and the most visible competition; yes; I will admit that.

Mr. Voigt. You say on page 83 of your analysis that about 385,000,000 pounds of cheese were traded in during 1918, and that Swift & Co. handled less than one-sixth of this total. Now, assuming that you handled approximately one-sixth and Armour handled about the same amount, that would give the two concerns one-third of the trade, would it not?

Mr. Weld. Yes; and I said that in the case of cheese the proportion is much larger than in the case of butter, eggs, and poultry. I imagine that the five large packers together handle 40 or 50 per cent of the total amount of cheese marketed in the United States, although I do not know; and if you want to know the reason why that is, it is because they can handle it better and more efficiently than anybody else can.

Mr. Voigt. Do you not think it is unfair, in talking about cheese, to talk about all the cheese that is made in the country, because a great deal of that cheese never gets into commerce at all?

Mr. Weld. No; but it says, "traded in during 1918," and that is apparently figured on the amount sold.

Mr. Voigt. In interstate commerce?

Mr. Weld. Not necessarily. It does not make any difference whether it is interstate commerce or not. I wish you would get away from that. I know the Federal Trade Commission has done its best to restrict its figures to interstate commerce figures. That is not just. It is not right at all.

Mr. Voigt. Yes; I think that is just, because a great deal of this product is never in the market and cuts very little figure in competition.

Mr. Weld. In the case of cheese, there is hardly any cheese to-day made on the farm and consumed. There is some.

Mr. Voigt. I beg your pardon.

Mr. Weld. I know there is some. I have not the figures here, but I can look up the Department of Agriculture figures on the total production and the total amount sold, and you will find that the amount consumed on the farm is very small as compared with the quantities of butter and eggs and poultry that are consumed on the farm.

Mr. VOIGT. I think if you will look up the figures you will find that from 100,000,000 to 150,000,000 pounds of cheese made in this country never gets into commerce at all.

Mr. WELD. As I say, I have not the figures here.

Mr. VOIGT. And that is more than one-fifth of the total cheese produced in this country.

Mr. WELD. I have not the figures here, but as I remember it, the proportion is much smaller than in the case of butter, eggs, and poultry. It is more a factory product on the whole, than, say, butter.

Mr. VOIGT. I think the correct way to state it is to say that the cheese which enters commerce is made in factories, and if we are going to find out what share of cheese is controlled by the packers, we must confine ourselves to the cheese which is made in the cheese factories.

Mr. WELD. All right; it is probably between 40 and 50 per cent.

Mr. VOIGT. It is generally stated that the packers control two-thirds of the cheese output of Wisconsin.

Mr. WELD. Of course, that is not so because we do not control. In the first place, Swift & Co. is in competition with every other packer and it is unfair every time the word "control" is used.

Mr. VOIGT. Then let us say that it is reported that the packers buy two-thirds of the commercial cheese made in Wisconsin.

Mr. WELD. That may be true.

Mr. VOIGT. I believe that is about true.

Mr. TINCHER. If they buy it they control it.

Mr. WELD. No; they do not control it.

Mr. TINCHER. They control it while they own it.

Mr. WELD. It depends on what you mean by the word "control." The word "control" is used all the way through the Federal Trade Commission report to imply a monopolistic control or an artificial control of the price. That is the implication all the way through the Federal Trade Commission's report.

Of course, most of the cheese is produced in Wisconsin and New York. I suppose 85 or 90 per cent of the total cheese produced in the United States is produced in those two States, and the large packers do buy a very large proportion of the output of the Wisconsin cheese, and not such a large proportion of the output of New York cheese. I know that in a general way, but I have no statistics on it.

Mr. VOIGT. You say you are not prepared to talk about these letters found on pages 134 to 144 of volume 2 of the Federal Trade Commission report which deal entirely with the question of manipulating cheese prices.

Mr. WELD. And in which Swift & Co. is not involved at all.

Mr. VOIGT. Then if you are not prepared to defend the accusations made in those letters, then, of course, you can not state in behalf of the five packers that they have not attempted to manipulate cheese prices.

Mr. WELD. I am not making any statement as to what any other packer may or may not have done. I am saying that Swift & Co. has no form of agreement, has not been in collusion with any other packers, and that it has not attempted to manipulate any prices in the State of Wisconsin or elsewhere.

Mr. VOIGT. And do you not know whether the other four packers have attempted to do that or not.

Mr. **Weld**. No; I am not saying anything about the other packers. I can say this much: That they have not attempted to do anything in collusion with us.

Mr. **Tincher**. That is, that you know about. You do not know about it, if they did.

Mr. **Weld**. No, sir; I do not.

Mr. **Tincher**. You have been down in Texas for a week.

Mr. **Weld**. Yes, sir; I might not have heard about it while I was down in Texas. I have had people tell me that they believed me and that what I say is true so far as my knowledge is concerned, but that my principals are doing things that they will not tell me about. Possibly some of you people feel that way; I do not know.

Mr. **Anderson**. At any rate, we are not disposed to hold you accountable for what happened before you became connected with the outfit.

Mr. **McLaughlin** of Michigan. Is that all with regard to this matter, Mr. Voigt?

Mr. **Voigt**. That is all.

Mr. **Weld**. Another very striking instance of unfairness on the part of the Trade Commission is its reference to rice.

This is really an Armour matter, but it is so striking and absurd that I can not help mentioning it.

The Trade Commission says in part 1, page 235, that Armour & Co. handled 16,000,000 pounds of rice in 1917—

> Thus becoming at a single move, on the statement of the vice president of the company, the greatest rice merchant of the world.

The Federal Trade Commission added:

> During this period the wholesale price of rice increased 65 per cent.

Now, I happened to look up the total consumption of rice in the United States and found that it was over 1,000,000,000 pounds, and that this vast amount that Armour & Co. handled, 16,000,000 pounds, is a little over 1 per cent of the total. There is apparently not any very great distinction in having become the greatest rice merchant in the world.

Now, as to the statement, "during this period the wholesale price of rice increased 65 per cent," there is at least an implication there that Armour was partly responsible for driving the price of rice up in 1917.

Of course, the Federal Trade Commission can say there is no such statement there, no such assumption, no such insinuation, but there is the insinuation there just the same, and I have heard the effect of that many a time. I heard it down in Texas last week when Mr. Atwood, the assistant to the Attorney General, gave that as the only instance he cited of the tremendous power the packers wield over the food supply of the nation.

"Why, Armour has become the greatest rice merchant in the world," and Armour handled a little over 1 per cent of the total consumption in the United States; and it appears from the Department of Agriculture reports that the farm price of rice increased from 89 cents a bushel in 1916 to $1.89 in 1917, so that the increased price of rice went to the farmer and not to the merchants.

Mr. **Anderson**. Mr. Armour is a very large farmer in rice, among other things, is he not?

Mr. **Weld**. I did not know that he was.

Mr. **Anderson**. I do not know, either, but I have that sort of an impression.

Mr. **Weld**. I do not think that he is. I never heard he was.

If I were a rice grower, I would be mighty glad to have the outlet furnished by the packer selling organization for my rice, and if the packers go into the rice business they are broadening the market for the rice producer and they are making rice more available to rice consumers.

Mr. **Anderson**. According to that, when you entered into a contract with the Attorney General that you would not engage in the rice business, you did the country an injury.

Mr. **Weld**. We did the country an injury; yes. We deprived the country of that service just to satisfy the prejudice, the suspicion, that the Federal Trade Commission is trying to arouse, in the hope that it would satisfy that suspicion somewhat.

Mr. **Anderson**. Now, as a matter of fact, do you know whether this rice that you refer to here did enter Armour & Co.'s distributing machinery at all?

Mr. **Weld**. No; I do not know what Armour did with it.

Mr. **Anderson**. I do not know either, but my understanding is that all he did with it was to buy it on brokerage contracts to boost the price.

Mr. **Weld**. I do not know anything about it. I do not know how he handled it.

Mr. **Anderson**. I do not know either.

Mr. **Weld**. Although I do remember now that Mr. Armour claimed, I believe, before the House committee, that he believed that he had helped the producer of rice by furnishing a wider outlet for their stuff. That is just a hazy recollection. I have not looked it up.

Mr. **McLaughlin** of Michigan. Do the packers use rice in any of their processes?

Mr. **Weld**. I do not think so. Swift & Co. does not.

Mr. **Tincher**. You want us to condemn that portion of the Federal Trade Commission's report until we hear evidence from some other packers on it?

Mr. **Weld**. You do not need that. No evidence from any other packer can ever set that right or no evidence from any other source. The point is that 16,000,000 pounds sounds like an awful lot of rice. As a matter of fact, it is only about 1 per cent of the total consumption. That statement stands in the Federal Trade Commission's report, in part 1 and in the summary of the report, and is quoted widely as an indication of the power that the packers wield over the food supply of the Nation.

Mr. **Tincher**. You do not know whether that was bought on the board of trade when it constituted 40 per cent of the surplus of rice, from your own statement, and you do not know how it was handled.

Mr. **Weld**. My dear sir, the term "surplus" means nothing.

Mr. **Tincher**. Well, it does to me. Of course, I am not to blame for that. My experience in such matters has been very limited.

Mr. **Weld**. I would call attention to the fact that the Federal Trade Commission uses every possible opportunity to discredit our profit figures.

The most ludicrous attempt that the Federal Trade Commission has made to discredit our profit figures was in a statement submitted by the Federal Trade Commission to a subcommittee of the Senate Committee on Agriculture and Forestry on October 5, 1918. The Federal Trade Commission has apparently tried very hard to find some way to discredit our statement that our profit on beef is one-quarter of a cent a pound, only about one-quarter of a cent a pound. To discredit this statement the Federal Trade Commission said that—

> The packers' profit of one-quarter of a cent per pound on beef amounts to $5 a ton, as compared with only 25 cents per ton profit for the anthracite coal companies.

They tried to make use of the fact that one-quarter of a cent a pound—$5 a ton—is after all a large profit, especially as compared with the profit that the anthracite dealers get of 25 cents a ton against our $5. This is a monument to the astuteness and competency of the Federal Trade Commission's statistician. The trouble is that a ton of beef was worth at that time about $400, whereas a ton of anthracite coal was worth about $7. We were able to make a profit of $5 on $400 of sales, which is one and one-quarter per cent of the selling price, whereas the coal profit of 25 cents a ton on a $7 sale was 3½ per cent of the selling price.

Mr. TINCHER. The first witness that we had before the committee in this hearing gave his view of the quarter of 1 cent profit. Have you answered that?

Mr. WELD. No; I do not know that I have that in mind.

Mr. TINCHER. It is equally ridiculous with that of the Federal Trade Commission's report?

Mr. WELD. I do not know whether I remember just what you have in mind—Mr. Anderson's statement?

Mr. TINCHER. Yes, sir. I thought he explained quite fully what he thought of your one-quarter of 1 cent profit?

Mr. WELD. I intended to examine Mr. Anderson's figures. Whether I can interpret just what you have in mind or not, I am not sure.

Mr. TINCHER. I thought that he covered this point in your report quite fully.

Mr. WELD. I remember that he had certain figures.

Mr. TINCHER. He did not use the language which you have used concerning the Federal Trade Commission, he did not say that you were liars, but he did intimate that the figure was inaccurate.

Mr. WELD. Yes, sir. I think he did. I think I can satisfy you on that point as we go along.

Of course, the whole trouble is that this matter of profits is really extremely important. The Federal Trade Commission tries to pass over this question of profit per pound or the profit per dollar and says that the real measure is the profit on investment. We are perfectly willing and ready to talk about the profit on investment, but the reason that we talk about the profit per pound or per dollar is to find out what effect the profit has on the price.

That is the only way that you can get at it. The profit on investment, whether it is 5 per cent or 15 per cent, gives you no indication of what effect the profit has on the price, but if we can show you that this quarter of 1 cent a pound represents the average profit which we have made on each dollar of sales in the last 15 years, there is proof positive that our profit has practically no effect on prices. I might say a less effect on the price than any other industry. Yet the Federal Trade Commission has utterly failed to make any statement on that point. The investigation of the packing industry was partly at least to find out what was the cause of the high price of meat, and what effect the packers' profit had on the price of meat. You will find nothing in the report so far as it is out, but they are going to get out one part on profits, so I understand. That is not out yet, but I am perfectly willing to guarantee that you will find no definite statement as to the profit on sales or the profit per pound, but there will be some attempt to discredit—it would never do for the Federal Trade Commission to own up that our profit is as it is, for the simple reason that that would show definitely and conclusively that the profit has practically no effect on the price. It does mention our gross profit in the summary of the Federal Trade Commission report. I think that is the only reference to profits in the whole summary, the place where one would naturally look to find some conclusion or suggestion as to the effect of the packers' profit on prices, and yet in the summary of the report there is just one paragraph which refers to our gross profits as so many hundreds of millions of dollars. It says:

> The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915–16–17, four of the five packers made net profits of $178,000,000.

That is all you get on profits in the summary of the Federal Trade Commission's report. Compared with sales, it does not say that that was only about 3.6 per cent on each dollar of sales, or what it amounted to on the investment, that the war largely affected prices in any way, that the profits were not related in dollars and cents, and that they had been offset in the decline in the markets since the close of the war. None of those things are brought out, and yet you would naturally look to the summary to give some indication of what effect the packers' profits had on the price. You get nothing at all. That in itself is one of the most unfair things about the report of the Federal Trade Commission. They do not come out clearly and tell what effects profits have on the price, but they have tried to create an impression all the way through by mentioning the big aggregate business as something enormous, that the cost of meats must be large and that——

Mr. VOIGT (interposing). Do you claim that the Federal Trade Commission were prejudiced against you before making the investigation?

Mr. WELD. I do not think you can find any better evidence of unfairness than this attempt to discredit our profit figures.

Mr. VOIGT. Do you think that they were prejudiced against you before they undertook the investigation?

Mr. WELD. I will not say that they were prejudiced against us before they undertook the investigation. We thought at one time that it was going to be a fair investigation, investigating both sides.

Mr. VOIGT. Why do you think that the Federal Trade Commission is prejudiced against you?

Mr. WELD. I do not know—are you going into that matter?

Mr. YOUNG. They do make reference to the total profit?

Mr. WELD. Yes, sir; but it gives an entirely wrong impression.

Mr. YOUNG. That is correct?

Mr. Weld. That is correct, so far as I know. I have not checked up the figures. This summary of the Federal Trade Commission's report—you would expect to find something illuminating on the subject.

The Chairman. This seems to be rather illuminating. Morris & Co. made 263.7 per cent on their capitalization.

Mr. Weld. Why should that be mentioned, 263.7 per cent on the capital stock of Morris & Co.?

The Chairman. I understand they are stating the facts. I also understand you admit the fact?

Mr. Weld. No; it is not fair.

The Chairman. Why is it not fair? Have they stated the facts?

Mr. Weld. I think probably they have.

The Chairman. They have stated the facts?

Mr. Weld. I said that I thought they had. I say it is not fair to state it that way, because Morris & Co.'s capitalization is only something like $3,000,000, and their net worth is $30,000,000 or $40,000,000. It does not give the net worth, but it says 263.7 per cent, which means absolutely nothing.

The Chairman. Two hundred and sixty-three per cent means something to most of the members of the committee.

Mr. Tincher. Have they been paying stock dividends?

Mr. Weld. No; they have not. They could have declared stock dividends in order to make their capital correspond with their own net worth, and it would have been perfectly legitimate for them to have done so.

The Chairman. The five companies made $121,000,000 in excess profits over their prewar profits. Do you think that is a fair profit?

Mr. Weld. That is for what period?

The Chairman. Nineteen hundred and fifteen, 1916, and 1917 their excess profits were $121,000,000.

Mr. Weld. What are you reading from?

The Chairman. From the report of the Federal Trade Commission. It states:

> Five meat packers, Armour, Swift, Morris, Wilson, and Cudahy made $121,000,000 excess over their prewar profits.

Mr. Weld. I will go into that, if you want me to.

The Chairman. You have been going into it, have you not?

Mr. Weld. I will tell you. I do not know what you are reading from, but there was no place or reference to a comparison between the three-year period.

The Chairman. This is from Senate Document No. 248, Sixty-fifth Congress, second session.

Mr. Weld. As to profits during the war it may have been that in 1916 and 1917 they showed a great increase over what they had been before the war. The sales increased probably twice or something more than twice and the profit nearly four times. The increase in profits during the war was only normal as compared with the increase in profits of other industries.

The Chairman. Here is what the commission says:

> Their manipulations of the market embraced every device that is useful to them without regard to law. Their reward, expressed in terms of profit, reveals that four of these concerns have pocketed in 1915, 1916, and 1917 $140,000,000.

It goes on to state that $121,000,000 represents excess over their prewar profits, and that the profit made by Morris & Co. for the fiscal year ending November 1, 1917, was 263.7 per cent on the $3,000,000 capital stock outstanding. What have you to say in reference to that?

Mr. WELD. I was just about to explain that when you broke in and interrupted me. We say that the profits did greatly increase during the years 1916 and 1917, and that it was due to the increased value of our inventories. It is not money that we were able to pocket and to use as the Federal Trade Commission would have you think. We had to borrow money from the banks to pay dividends during that time; in order to pay taxes, we had to borrow money from the banks. That was a paper profit, represented principally in the increased value of our goods on hand at the time.

Mr. TINCHER. What is the highest inventory that Morris & Co. have ever shown?

Mr. WELD. I do not know.

Mr. TINCHER. Anything that would justify that statement, in substance?

Mr. WELD. It would for Swift & Co.

Mr. TINCHER. I am talking about Morris & Co. I am just a little familiar with the inventories of Morris & Co. I never found anything that would justify that statement?

Mr. WELD. I do not know anything about Morris & Co.'s figures, but I know that their profits during that time must have been due to the increase in the inventory value on a rising market, which would naturally be offset by a corresponding decline.

The CHAIRMAN. That represented the actual value at that time?

Mr. WELD. Yes, sir; it is perfectly justifiable, because it was absolutely needed in order to finance the business. It was hard enough to raise money to cover the inventories and to finance our operations from day to day. Those profits were not out of line with profits earned in other industries, and Swift & Co. probably made as much, because in its largest year, 1917, it got up to 21 per cent on its investment.

The CHAIRMAN. You think it was for the purpose of deceiving the creditors?

Mr. WELD. What?

The CHAIRMAN. For deceiving the creditors?

Mr. WELD. For the purpose of maintaining credit. I did not say——

The CHAIRMAN (interposing). They take the actual value of the property at the end of the year?

Mr. WELD. Yes, sir.

The CHAIRMAN. It represents the real value at that time and the real profit, paper profit or anything else, the value is there?

Mr. WELD. At the end of the year we have to take into account the value of our inventories at that date. Our inventories for the last two or three years have been running from $150,000,000 to $200,000,000, and we take those into account at the going market value at the time the inventory is taken, at the end of the year.

The CHAIRMAN. But they were invoiced at the market value?

Mr. WELD. Yes, sir; surely.

The CHAIRMAN. Then let us get at that.

Mr. Chaplin. It is exactly what it is worth on the market that day.

The Chairman. The actual value?

Mr. Chaplin. Yes, sir.

The Chairman. Then why discuss the inventory?

Mr. Chaplin. We can never cash in on that.

Mr. Weld. No; we can not.

The Chairman. You could have cashed in on that date, unless the report is padded. I take it that it represents the true value?

Mr. Chaplin. That amount of money as the values go up, but we lose the same amount of money as the values go down.

The Chairman. If it goes down it goes down in value?

Mr. Chaplin. We have not that money in the bank.

The Chairman. Your business goes down the same as any other business?

Mr. Chaplin. Yes; but we have not the money in the bank, and when we come to pay the Government taxes we have to borrow the money.

The Chairman. You put in the merchandise and everything at its actual value?

Mr. Chaplin. But we can not cash it in. You take the farmer who started with cattle at 6 cents a pound, the price went up to 15 cents a pound and he has made money on the way up; but he will not realize on the higher price unless he sells out and cashes in. If he keeps the same number of animals until the price goes down he will lose money.

The Chairman. There is "if." That "if" does not exist; it did not go down?

Mr. Chaplin. We have not cashed in.

Mr. Weld. It has gone down. We did not cash in on these high inventory values.

Mr. Chaplin. It was impossible to cash in.

The Chairman. This goes back to 1916. You have cashed in by this time?

Mr. Weld. At gradually decreasing values; yes, sir.

Mr. Chaplin. If we buy to-day at higher prices and it goes flown, of course there is depreciation. It is paper profit; it is not any money in the bank.

The Chairman. I understood you to say that you discredited the report made by the Federal Trade Commission?

Mr. Weld. I discredit it because it does not tell the story?

The Chairman. But you are admitting that it does tell the story?

Mr. Weld. It does not say when we made our largest profit in 1917 that it had practically no effect on the price.

The Chairman. In what way is that reflected in the commission's report?

Mr. Weld. In what way is it reflected?

The Chairman. Yes.

Mr. Weld. Because it gives the impression of a fictitious profit that raised prices.

The Chairman. You admit it, because the facts are all here, do you not?

Mr. Weld. Only part of the facts.

The Chairman. What part of the facts?

Mr. **Weld**. The relation between that and the sales. It does not show that if you cut out the profit of the most profitable year, three-quarters of 1 cent a pound, that that would have had no effect on the price.

Mr. **Chaplin**. It does not show how much it affects the family meat bill.

The **Chairman**. The report states the facts as they existed at that time?

Mr. **Weld**. Only a part of the facts.

The **Chairman**. What part of the facts?

Mr. **Weld**. I have been telling you.

The **Chairman**. You have not told me much in that respect. Perhaps you can tell us a lot more.

Mr. **Weld**. We shall be glad to tell you anything which you want to know; there is not a thing about it to hide.

The **Chairman**. I want to know what there is wrong about the report if they state the facts and you admit that they state the facts.

Mr. **Weld**. I admit that they state only a part of the facts. They omit the relations between the profit on our sales and how much our profit amounted to per pound of product; they omit to state that those profits made during the war were not realized in cash; they omit to state that those profits were not out of line with the profits made in other industries, including the profits of the cow and hog men; that those larger profits were absolutely necessary during the war; that we needed every cent that we could possibly get; and that those profits had no effect practically on the price during the war.

The **Chairman**. Do you think that it is up to the commission to go into all those details?

Mr. **Weld**. We certainly do.

The **Chairman**. Including everybody all along the line, the grocery man, etc.?

Mr. **Weld**. If they are making a fair statement of profit and what effect our profit had on the price, it is necessary.

The **Chairman**. That is your answer?

Mr. **Weld**. Yes, sir; all of the things that I have mentioned. It gives an entirely wrong impression as it appears in this summary.

The **Chairman**. They state the facts when they say that Morris & Co. made 263.7 per cent?

Mr. **Weld**. Do you think that is a fair way?

The **Chairman**. I am asking you.

Mr. **Weld**. I said no.

The **Chairman**. They state the facts. The statement of facts by any investigating committee is always fair.

Mr. **Weld**. It is not fair for anybody to say that the profit of Morris & Co. was 263 per cent.

The **Chairman**. On $3,000,000 capitalization.

Mr. **Weld**. The $3,000,000 capitalization they bring out very clearly. The concern is vastly undercapitalized and its capitalization does not represent its investment at all.

The **Chairman**. Can you point to any instance where that is being done in examining banks or any other concern?

Mr. **Weld**. It is done by everybody who studies the security market in order to ascertain the worth of a share of stock.

Mr. YOUNG. I should like to ask you a question or two on a feature of the business that has not been cleared up in my mind. In the first place, what is the cattle profit per head, the average profit?

Mr. WELD. The cattle, you mean?

Mr. YOUNG. Yes, sir.

Mr. WELD. It is about $1 a head on the average; that is, for the last few years.

Mr. YOUNG. I have read the statement, but I have forgotten the figures. I want to get right on that statement. That looks like a low profit?

Mr. WELD. Yes, sir.

Mr. YOUNG. It does not look like an unreasonable profit on the face as we read it in the newspapers. As a matter of fact, you have the steer that is driven into the packing establishment, and in addition you have the by-products?

Mr. WELD. Yes, sir.

Mr. YOUNG. How do you arrive at the dollar? Do you take by-products, the related and unrelated business, through which the different by-products pass to reach the profit of $1 a head?

Mr. WELD. Let me explain that, Mr. Young. We might as well do it now, because I knew that that point would come up. We consider in our cattle slaughtering department the slaughtering of cattle and the preparation of the meat itself for market. We also consider the curing of the hide, the taking off of the hide and curing, which takes a month or more, as a part of our cattle-slaughtering operation. We consider the refining of the oil and the preparation of the fats for the oleomargarine department and for the soap department and the preparing of the bones for the fertilizer department, etc. Those are all regularly recognized packing house by-products. We include their preparation as a part of our cattle-slaughtering operation. The net result is this, that our profit on every head of cattle includes the profit made from the sale of the beef, from the sale of the cured hide, from the sale of the refined oleo oil and the rendered fats, etc. That profit of $1 per head has been practically the average for the last few years. It would not include the profit from the soap department.

Mr. YOUNG. It includes the meat that goes out in consumption?

Mr. WELD. Yes, sir.

Mr. YOUNG. It includes the hide after being cured?

Mr. WELD. Yes, sir.

Mr. YOUNG. The hide has not yet been tanned?

Mr. WELD. It does not include the leather, but the cured hide.

Mr. YOUNG. The cured hide that is ready to go to the tannery?

Mr. WELD. Yes, sir.

Mr. YOUNG. And the refined oleo oil?

Mr. WELD. The oleomargarine oil refined; it does not include the oleo department itself.

Mr. YOUNG. It includes the oil that is ready to go into the oleomargarine manufacture?

Mr. WELD. Yes, sir; it has to go through a manufacturing process to be ready to go to the oleomargarine department.

Mr. YOUNG. And the tallow?

Mr. WELD. Yes, sir.

Mr. YOUNG. You charge up your expense of curing the hide, of extracting the oil ready for the oleomargarine business, and what else?

Mr. **Weld**. The grease and fats and all of the others.

Mr. **Young**. The expense of getting these things ready to go into any other manufacture you charge up against the cattle business?

Mr. **Weld**. Yes, sir.

Mr. **Young**. Do you consider that a fair way of charging to arrive at the profit, to commence your bookkeeping down there with these different items ready to go into the other industries? Do you think that your bookkeeping is a correct system there? Would it not be better to have your bookkeeping go right back to where you first take those things off the animal?

Mr. **Weld**. Permit me to answer that question in this way: Take the soap department; it buys only about 10 per cent of its raw material from the packing plant and the rest it buys from the outside. It used to buy a larger amount, but now the soap is made more of vegetable matter and less of animal matter. So the soap department buys only 10 per cent of its raw material from the slaughtering establishment and the other 90 per cent from outside, and the profit on the soap shown back on the cattle would mean absolutely nothing. You take now the manufacture of leather: Of course, now we have segregated our tanning business into the National Leather Co.; that is a separate company, but until that was done we always sold about one-half of our hides to outside tanners and the other half we transferred to our own leather, or had done for us on a commission basis. To take the leather tanning profit on half of the hides and throw it back in the slaughtering department would mean absolutely nothing. Those with others are the chief industries.

Mr. **Young**. Here is something that I want to get clear in my mind. Take the hide.

Mr. **Weld**. Yes, sir.

Mr. **Young**. You take that hide off of the steer?

Mr. **Weld**. Yes, sir.

Mr. **Young**. Have you any method of determining the cost to you of curing the hide up to the time that it is ready to go on the market?

Mr. **Weld**. Yes, sir; we have the cost of curing the hide.

Mr. **Young**. How expensive a proposition is that?

Mr. **Weld**. Do you know, Mr. Chaplin?

Mr. **Chaplin**. $1 a hide, perhaps.

Mr. **Weld**. Something like that.

Mr. **Young**. $1 a hide?

Mr. **Weld**. Yes, sir.

Mr. **Young**. The same way with the fats that you prepare for the oleomargarine business?

Mr. **Weld**. Yes, sir.

Mr. **Young**. Have you any estimate of the cost from the time you take it out of the animal up to the time that it is finished, ready to go into the other industry?

Mr. **Weld**. Those are all figured in the operating expense of the by-product itself.

Mr. **Chaplin**. They are kept separate on the books.

Mr. **Young**. I did not know whether there was anything in your business method and bookkeeping method by which, in order to hold your profit down to this dollar a head or whatever it may be, you charged enough extraordinary charges for the drying of the hides, etc., and by that means you held down the apparent profit on a head of cattle?

Mr. **Weld**. We have often been accused of the manipulating of accounts so as to show a small profit in one department and a large one in another. All I can say is that our accounting system has been designed for our own use. Each department has to stand on its own feet. Each department has to show results if it possibly can. Of course, there might be a chance in transferring the hide from the hide department to the tannery under the transfer price, but that transfer goes from one department to another at exactly the same price. If they were being sold to the outside, of course that would be shown. Those, of course, by the way, have been under the Government during the last year or two. But another point in that connection, the profit on the cattle would be somewhere about 6 per cent on the investment, which shows that $1 a head profit is a fairly workable profit anyway; a little small, if anything.

Mr. **Young**. After you get the cattle butchered the hides start on their course, and they go into the market or other uses—you now tan some hides?

Mr. **Weld**. Well, they always did; we have a separate company now.

Mr. **Young**. You have various companies to take over the whole business, this, that and the other—they are separate corporations?

Mr. **Weld**. No, sir.

Mr. **Chaplin**. We have just Swift & Co.

Mr. **Weld**. And the National Leather Co.

Mr. **Young**. Is the bookkeeping separate?

Mr. **Weld**. They are two separate departments.

Mr. **Young**. When the various parts of the animal have gone into the various lines, in figuring up your profit do you take all of these various industries and relate them back as to the profit you make on the animal?

Mr. **Weld**. We throw them back in the way I have described, the cured hides, the refined oleomargarine oil, the rendered fat, tallow, etc., which are regularly recognized packing-house by-products.

Mr. **Young**. Then, when you commence the manufacture of the other things that profit goes in another direction?

Mr. **Weld**. Yes, sir; it goes to the leather department or to the oleomargarine department or to the soap business.

Mr. **Young**. I was just wondering if you put those all back, related them back, what kind of a showing you would make?

Mr. **Weld**. In the total profit, which was $14,000,000 last year, of cattle alone we killed about 2,000,000; that would have made about $7 a head on cattle. If we included the hog profits, the calf profit, the profit from fertilizer, the profit from soap, the profit from butter, eggs, cheese, and poultry, the profit would have been about $7. If had thrown it all on hogs, we would have made less than $2 a head. We killed about 8,000,000 hogs and if we had thrown the profit from all sources it would have been less than $2 a head.

Mr. **Young**. Do you mean in all the other business, if you engaged in other lines of business?

Mr. **Weld**. Yes, sir.

Mr. **Young**. You take all of those profits?

Mr. **Weld**. All the profit on butter, eggs, cheese, and poultry, oleomargarine, lard compound, cotton oil, all the products, if we said that we made it all on cattle it would have been about $7 and if we said we made it all on hogs it would have been less than $2 a head.

Mr. **Chaplin**. We killed 16,000,000 animals and made less than $14,000,000, that is less than 90 cents on all animals killed.

Mr. **Young**. On all animals killed?

Mr. **Chaplin**. Yes, sir.

Mr. **Weld**. Those are facts that it would have been well for the Federal Trade Commission to have brought out.

Mr. **Young**. They bring them out now.

The **Chairman**. That profit is in excess of all the expenses?

Mr. **Weld**. That does not include the interest on capital, paid out in dividends. Stock raisers include as one of their expenses interest on the capital employed in their business.

The **Chairman**. Salaries and all expenses, except the interest account?

Mr. **Weld**. Yes, sir; except the interest on the capital.

The **Chairman**. Would it include the interest on borrowed money?

Mr. **Weld**. Yes, sir.

Mr. **Lee**. Do you borrow any money?

Mr. **Weld**. A few dollars once in a while.

Mr. **Lee**. Down at my little place in Chattanooga the bank had more money than they needed, $100,000, and the president told me that he was a little worried about letting this money stay there and he said, "I have been offered some of the Swift certificates which pay 7 per cent." I was very much surprised to hear that Swift & Co. were paying 7 per cent for money.

Mr. **Weld**. Those are our gold certificates.

The **Chairman**. Other people are paying as high as 25 per cent for money.

Mr. **Lee**. I do not know.

The **Chairman**. They have been charging 25 per cent for money in New York on call.

Mr. **Young**. There is another criticism and we might as well clear up this profit business as we go along. You said that it included salaries and expenses of all kinds. As the publications show you gentlemen are very much interested in the use of printer's ink. You pay enormous salaries and have a very large salary roll, and all of your overhead is charged against the producer of the stock. What have you to say along that line?

Mr. **Weld**. In the first place, I think that the schedule of our salaries is probably low as compared with large corporations with as much capital or doing as big a business as we do. I do not believe that the salaries paid our executives are in excess at all of their market value. That means that our men earn their salaries developing efficiency which means the employment of high salaried men, which means lower expenses, lower slaughtering costs, than would be the case if we had $5,000 men instead of $10,000 to $25,000 men at the heads of our departments.

Now, on the printer's ink proposition, I was coming to that in connection with Mr. Anderson's remarks, but if you prefer I would be glad to go into that matter now.

Mr. **Young**. How does your salary schedule compare with that of financial institutions or mercantile institutions?

Mr. **Weld**. I would say for a concern anything like the size of Swift & Co. that I think our salaries are fairly moderate.

Mr. **Young**. All right. Go ahead.

Mr. **Weld**. There is a greater amount of detail in regard to this matter in some of the other hearings, giving exactly what the salaries are that are paid by Swift & Co.

Mr. **Voigt**. What are some of the salaries that are paid by Swift & Co.?

Mr. **Weld**. I think that $50,000 is what the president is paid, and that that is much the largest salary that is paid.

The **Chairman**. How do the packers' profits compare with the profits of shippers, for instance?

Mr. **Weld**. Shippers of live stock?

The **Chairman**. Yes; and feeders.

Mr. **Weld**. Well, that is rather difficult to answer. On cattle last year it is probable there was a loss for both; that is, we know that it has been a loss for us on cattle and we know that a great many of the shippers of cattle to the markets have also lost money.

I think that probably during the war our profits did not increase any more than the profits of the live-stock raiser or shipper. Of course you understand that the live-stock shipper can not do business on the same margin of profits as we do. Where we can do business on a profit of one dollar to one dollar and a half a head on cattle the cattle raiser can not do it and make any money. He can not turn over his stock as rapidly as we do. I suppose we turn over our stock in the meat business five or six or eight times a year, though I do not know how often.

The **Chairman**. Take the local cattle buyer; he is very glad to make 50 cents a head profit on cattle. Is that not so?

Mr. **Weld**. I think so. Of course he does not do any such service as we have to do.

The **Chairman**. It is a different sort of service, it is true, but he handles stock for as long a time as you do and takes even a greater risk than you do. Furthermore, he handles a carload while you are handling thousands.

Mr. **Weld**. But he does not run anything like the risk that we do. I think probably he makes more than 50 cents a head, though I do not know how that is. Anyway we perform a manufacturing operation and we pay freight to distant markets and we operate a branch-house system that is a load in the matter of expense far in excess of anything that he has to stand. Your local cattle buyer has no such expenses as we have. His expenses are in no way comparable to our expenses.

The **Chairman**. In what respect do you take more risk than the shipper does?

Mr. **Weld**. In the case of hogs we do not sell our product for two or three or four months after we buy the live animals. In the case of cattle, we are selling them two weeks later, and in the form of the highly perishable product called meat.

The **Chairman**. You told us in our cold-storage hearings that you did not hold them any more than two weeks.

Mr. **Weld**. I said we disposed of the product within a couple of weeks.

The **Chairman**. But I understood you to say two months just now.

Mr. Weld. I said just now two or three or four months in the case of hog products.

The Chairman. Let us confine the discussion to beef.

Mr. Weld. Well, I said in the case of beef within a couple of weeks it has to be sold in a much more perishable form than is the case with live animals. I will say that our risk is greater in that instance than in the case of the cattle-buyer out in the country, who generally gets his stock in during the week and ships them on Saturday when the stock train goes through.

The Chairman. He does well if he handles a load of cattle in less than 10 days, does he not?

Mr. Weld. Yes, sir; perhaps so.

The Chairman. And he has them in transit about three days?

Mr. Weld. Yes, sir.

The Chairman. There is more risk in transporting a live animal than there is in transporting beef, is there not?

Mr. Weld. I do not believe there is any more risk in the transportation of a live animal then there is in the transportation of the dressed beef.

Mr. Young. I am not so much interested in that as I am in this——

The Chairman (continuing). The witness has told us about certain expenses and profits. I want to see what their profits really are.

Mr. Weld. We are trying to make all the money we can, just as any competitive business does in any other line. We are trying to do it legitimately, the same as anybody else.

The Chairman. If you are exacting an unusual profit we want to know it.

Mr. Weld. We have not exacted an unusual profit. I can show you that our profit has been perfectly reasonable right through our whole history.

The Chairman. The question involved here is the report of the Federal Trade Commission, if we accept that we can draw our own conclusions.

Mr. Weld. You can not properly draw any conclusions or make any deductions from that report because they only give you a part of the facts.

The Chairman. You can give us the other part of the facts, then we can make our own deductions.

Mr. Weld. All right.

Mr. Anderson. Before you leave this profit business I would like to ask a question or two. I understood you to say that your war profits, for the years 1917 and 1918, were not tangible in the sense that you did not realize on them. If they were not sufficiently tangible so that you could realize on them how about the dividends in the shape of stock that you issued? I understand that you declared a dividend of $25,000,000 in November, 1918—no, I believe it was in November, 1917.

Mr. Weld. Now, if you will go back another year you will strike the dividend.

Mr. Anderson. No, in November, 1917, and it applied to 1918.

Mr. Weld. No. That again was a paper transaction which amounted to a stock dividend. We increased our capital stock by $25,000,000 and put that money right back into the business, which we knew would be the result. The reason why they adopted that policy was in order that they would be able to say, technically, that our stock would be paid for in cash, although it amounted to a stock dividend. It was always one of the hobbies of old Mr. G. F. Swift that he could always say his stock was paid for in cash, and he always tried to carry out that policy, until 1918, when there was an outright stock dividend of $25,000,000; but that had nothing to do with current earnings.

Mr. ANDERSON. It had sufficient to do with it so that you are paying dividends on that stock now.

Mr. WELD. On account of the increase in value of our properties. That stock dividend in 1918 was due principally to a revaluation of our properties on January 1, 1914, at a time when we were very much under capitalized—and I might say that we are still undercapitalized.

Mr. ANDERSON. You are not contending that that $25,000,000 represented new money put into the plant? Or, rather, $50,000,000 put into your plant in two years, represented earnings or increased value as shown by your inventory?

Mr. WELD. Yes, sir. It represented earnings that had gradually accumulated and were put back into the business; but as to increase in our inventories, that is where you are wrong, as it represented an increase in our physical plant.

Mr. ANDERSON. Well, when I said "increase in inventories" I took your words or Mr. Chaplin's, and I do not know which. I thought you said increase in your inventory.

Mr. WELD. No.

Mr. CHAPLIN. It represented lands, buildings, and machinery.

Mr. WELD. Yes; it represented lands, buildings, and machinery as shown in the inventory. It does not mean an inventory of products. I noticed your statement originally, Mr. Anderson, and I thought you misunderstood that proposition.

Mr. ANDERSON. Well, it does not make any difference what it was. So far as your stockholders were concerned, that represented stock upon which they are drawing dividends to-day.

Mr. WELD. How is that?

Mr. ANDERSON. So far as your stockholders are concerned there is no difference in the matter, between a stock dividend and a cash dividend.

Mr. WELD. Well, there is all the difference in the world; yes, sir. A cash dividend means so much cash in hand or that you can put in bank, and that would not necessarily affect the stock at all. But when you issue a stock dividend it almost always means, as it did in our case, a drop in the value of the balance of the stock.

Mr. ANDERSON. But no drop at all commensurate with the increase in your capital stock, if my recollection is correct.

Mr. WELD. Well, I do not remember, but pretty nearly commensurate therewith.

Mr. ANDERSON. In 1917 Libby, McNeil & Libby were separated from Swift & Co.?

Mr. WOLD. Yes, sir.

Mr. ANDERSON. Isn't it a fact that although that separation was made the value of the stock of Swift & Co. continued practically the same as it was before the separation was made?

Mr. WELD. Very nearly the same. But we had no way to anticipate——

Mr. ANDERSON (continuing). You realized some profits in that transaction?

Mr. **Weld**. Yes, sir; the holders of Swift & Co.'s stock certainly did. But it was not the fault of Swift & Co. That had nothing to do with the earnings of Swift & Co. during the war, but the investing public, after those properties were segregated, put a larger value on the separate stocks than they did on the Swift & Co.'s stock alone before that time. It was a great surprise to us. We did not know that that would be the result.

Mr. **Anderson**. They took an optimistic view of the dividends you had been paying for the last year or two?

Mr. **Weld**. They knew that our profits had been running 8, 10, 12 or 16 per cent on net worth.

Mr. **Anderson**. The only fact that I wanted to bring out was that in two years, 1917 and 1918, you issued stock dividends equivalent to $50,000,000.

Mr. **Weld**. Yes, sir.

Mr. **Anderson**. Representing either earnings or increased values in your inventories?

Mr. **Weld**. I want to bring out in that connection that it represented a gradual accumulation——

Mr. **Anderson** (interposing). Just answer the question and then you may make any explanation you want to make.

Mr. **Weld**. Are you through with your question?

Mr. **Anderson**. I want you to answer the question. Then I do not care how much of an explanation you make.

Mr. **Weld**. I did not really understand at first that it was a question. Please state it again.

Mr. **Anderson**. I asked you if it was true that in 1917 and 1918, the two years taken together, you issued stock dividends amounting to $50,000,000, representing either earnings or increased values as shown by your inventory?

Mr. **Weld**. You have not stated it exactly correct.

Mr. **Anderson**. Well, let me ask you a part of the question at a time. You did issue two stock dividends?

Mr. **Weld**. We issued one straight stock dividend and another dividend that amounted to a stock dividend. That may be taken to mean two stock dividends aggregating $50,000,000, as you say. That, however, represented a gradual accumulation on the basis of earnings and increase in our physical assets, and did not in any way represent a greater war earning of Swift & Co.

Mr. **Anderson**. You do not deny that your earnings during the war were very much greater than during the previous period?

Mr. **Weld**. No; I have said that they were, and they had to be. The figures are given in the table you are looking at in the hearings. That was a paper profit. I also submitted to the House Committee on Interstate and Foreign Commerce a year ago a statement which showed our increase in profits was not as large as the increase in profits in other industries. I might say that during the last two years, or during 1918, for example, the year we were in the war, that we were limited in our profits by the Food Administration to 9 per cent on all of the capital employed including borrowed money. According to the Food Administration's own report, the five large packers made only 5.6 per cent on all of the capital employed by them; and they made only 1.76 cents on each dollar of sales.

Mr. **Anderson**. The Food Administration did not audit your books, did it?

Mr. **Weld**. I believe those books were audited. Who audited them, Mr. Chaplin?

Mr. **Chaplin**. We had them especially audited by Arthur Young & Co.

Mr. **Weld**. Did not the Federal Trade Commission have something to do with our books in connection with the Food Administration?

Mr. **Chaplin**. Statements were submitted to them and they had the opportunity to check them if they wanted to do so.

Mr. **Anderson**. And the statement they made was that your books were kept in such a way that they could not determine anything about them.

Mr. **Chaplin**. I believe they made such a statement but it was not a correct statement.

Mr. **Burke**. As I understand, Mr. Weld, you stated that the profits in 1916 and 1917, although very large, were war profits and were really to be considered only as paper profits and not real profits; is that the statement that you made?

Mr. **Weld**. Yes; I say largely considered as paper profits.

Mr. **Burke**. On the theory that the market at some future time would decline and wipe out the so-called paper profits; is that the idea?

Mr. **Weld**. Yes; it is a profit that we can not count on to put into our pocket or into the bank.

Mr. **Burke**. As a matter of fact, have your fears been realized? Have those so-called paper profits been wiped out?

Mr. **Weld**. They certainly have. We barely squeezed through last year.

Mr. **Burke**. All right. You took 1916 and 1917 as the years on which you make that statement. How were your profits in 1918?

Mr. **Weld**. They showed a considerable falling off, and——

Mr. **Burke** (interposing). I know, but how were the actual profits, were they fairly satisfactory?

Mr. **Weld**. About half what they were the year before, about 11 per cent.

Mr. **Burke**. About $33,000,000, including war tax?

Mr. **Weld**. Yes, sir.

Mr. **Burke**. Therefore, even with the depreciation at the end of the next year you were able to make something like $33,000,000 the following year?

Mr. **Weld**. It, without the war tax, was about 11 per cent on our——

Mr. **Burke** (interposing). Following that on down to the end of 1919, your profit is how much?

Mr. **Weld**. A little less than $14,000,000.

Mr. **Burke**. Besides dividends?

Mr. **Weld**. What do you mean by the words "besides dividends?"

Mr. **Burke**. Besides 8 per cent dividend on your stock.

Mr. **Weld**. No, sir; the dividend had to be paid out of that.

Mr. **Burke**. So even with the depreciation of the two years that followed those very large earnings it has not been enough so that you failed to make pretty fair profits?

Mr. **Weld**. We have made very poor profits this last year; too close a profit to be comfortable.

Mr. **Anderson**. But you paid that dividend on the basis of an additional $50,000,000 of stock which represented no new capital put into the business?

Mr. **Weld**. We were way undercapitalized. We ought to be able to earn fair profits on $200,000,000 worth of stock. If we had been capitalized at our net worth, we would not have been able to maintain our rate of dividend this year. It is only because we were undercapitalized that we were able to maintain our dividend.

Mr. **Anderson**. What were your total earnings this year?

Mr. **Weld**. $14,000,000.

Mr. **Anderson**. Did you say $14,000,000?

Mr. **Weld**. Yes, sir. That would have been 7 per cent on $200,000,000. Our net worth is about $200,000,000.

Mr. **Anderson**. That does not include the profits of Libby, McNeil & Libby, Swift Internationale, and the National Leather Co., which companies were formerly subsidiaries of Swift & Co., and whose profits were included in your prior statements?

Mr. **Weld**. That is true; yes, sir.

Mr. **Anderson**. Can you give the profits of these other concerns for the year 1919?

Mr. **Weld**. No; I can not. I do not think they have ever been published—have they, Mr. Chaplin?

Mr. **Chaplin**. I do not know what they are.

Mr. **Anderson**. Unless you add the profits of these other concerns you would have no basis of comparison for 1919 with prior years?

Mr. **Weld**. No; that is true. It is not an exact comparison with prior years.

Mr. **Anderson**. That is all.

Mr. **McLaughlin** of Michigan. Have you some other subject you wish to bring up now, Mr. Weld?

Mr. **Weld**. Well, I can——

Mr. **Young** (interposing). I do not believe you ever stated the approximate figure that Printer's Ink used in advertising.

Mr. **Weld**. Well, I would just as leave go into that now, if you wish. Mr. Anderson made some statements on that matter, and I was going to take them up later on.

Mr. **Young**. Well, you need not go out of your routine in order to ake up the matter now.

Mr. **Weld**. In case you might not happen to be present at that ime, Mr. Young, I will give you one or two general facts about that matter What was the statement that Mr. Anderson made? I would ike to get it while I am about it if I can recall—well, I will tell you hat Swift & Co. in educational advertising spent just about a million and a half dollars. That amounted to just about twelve-hundredths of 1 per cent on our total sales.

Mr. **Anderson**. Did you say that Swift & Co. spent a million and half dollars?

Mr. **Weld**. Yes, sir.

Mr. **Anderson**. What year?

Mr. **Weld**. Last year.

Mr. **Anderson**. 1919?

Mr. **Weld**. Yes; in educational advertising.

Mr. **Anderson**. Well, "educational advertising" does not mean much to me.

Mr. **Weld**. It means a good deal to us.

Mr. **McLaughlin** of Michigan. Well, what does it mean?

Mr. **Weld**. It means what it cost us to run our educational advertising in papers and magazines; to have those advertisements prepared, to have plates made, and all of the expense connected with the preparation and buying of space in the newspapers, magazines, and so forth.

Mr. **McLaughlin** of Michigan. Yes; but when I asked what "educational advertising" meant, you merely described it by telling me that it is educational advertising. .What does it mean?

Mr. **Weld**. I misunderstood your question. I thought you meant to ask what was involved under that head. We have two kinds of advertisements; we advertise our products, such as Swift's Premium hams and bacon and oleomargarine, and that we call commercial or mercantile advertising. And then we have——

Mr. **Young** (interposing). What do you figure that to be?

Mr. **Weld**. Our total advertising would run up to about two million dollars or two and a half million dollars. Our educational advertising represents advertisements in which we only tell about our organization and service, and the Swift dollar, and things of that kind.

Mr. **McLaughlin** of Michigan. And the so-called answers to the Federal Trade Commission's report?

Mr. **Weld**. I suppose so. Was the preparation of that document included in that expenditure, Mr. Chaplin?

Mr. **Chaplin**. No.

Mr. **Weld**. Then that would be in addition.

Mr. **Chaplin**. Those advertisements, some of them, cover misstatements by the Federal Trade Commission.

Mr. **Rubey**. Are they in the form of reading notices, or do they indicate on their face that they are advertisements?

Mr. **Weld**. Oh, they indicate on their face that they are advertisements. Have you got some of the ads. here, Mr. Chaplin?

Mr. **Chaplin**. No.

Mr. **Rubey**. Never mind. I have seen some of them. The question I wanted to ask was this: I am getting some telegrams about the Anderson bill. Some of them are of some considerable length, and some just from ordinary shippers at one or two points in my district, asking me to vote against the bill because it is very detrimental to them, and all that sort of thing. I am wondering what kind of advertising that is? Is that educational advertising?

Mr. **Weld**. Telegrams that they are sending to you?

Mr. **Rubey**. Yes.

Mr. **Weld**. I do not know, I am sure.

Mr. **Rubey**. I am wondering where they come from. I am wondering what is back of them, and what causes these people to send me these telegrams.

Mr. **Weld**. Well, I do not know——

Mr. **Rubey** (interposing). I am quite sure that they do not know anything about the Anderson bill, and I am wondering where they get their information from about the Anderson bill.

Mr. **Weld**. I will say this, that last summer we asked our agents to request their friends to protest against the legislation that was being considered.

Mr. **Rubey**. What do you mean by your "agents?"

Mr. **Weld**. We have 400 branch houses all through the country. We have our own representatives on the pay roll of Swift & Co. all over the country.

Mr. **Rubey.** Do you have your own agents in towns of 200 or 300 people?

Mr. **Weld.** No, sir.

Mr. **Rubey.** Those telegrams happen to come from little places, one of them of about 300 people, and the other one of about 400 people.

Mr. **Weld.** Well, I do not know how they would be reached. It might be that the retailer was reached through our salesman. Of course our salesmen go to every town in the country.

Mr. **Rubey.** They may come through our salesmen?

Mr. **Weld.** Yes, sir.

Mr. **Rubey.** Would it be possible that they came through certain papers published in the stockyards? Take the Drover's Journal, and has it been commenting on the Anderson bill?

Mr. **Weld.** I think so, some. Though I do not know about that.

Mr. **Rubey.** Is the Drover's Journal in favor of it?

Mr. **Weld.** I do not think so.

Mr. **Rubey.** It is very much against it, isn't it?

Mr. **Weld.** Anybody who knows much about the business is against it.

Mr. **Rubey.** All papers published at stockyards such as at Chicago, Kansas City, and St. Louis are against this legislation, aren't they?

Mr. **Weld.** Yes, sir; I think so, but I have not followed them closely.

Mr. **Rubey.** Is it possible that such buyers who get papers from their respective markets have read those articles and have made up their minds from them?

Mr. **Weld.** It is very likely.

Mr. **Rubey.** Do the packers have anything to do with those papers? Do they own any interest in them?

Mr. **Weld.** Yes, sir; in some of them. But according to the decree which has been entered we are to dispose of that interest.

Mr. **Rubey.** I am not talking about the decree but about present conditions. It may be that the packers through these papers have been able to reach such men throughout the country and have been able to get them to send us these telegrams in that way.

Mr. **Weld.** Yes; of course that does not apply to the Drover's Journal in Chicago, which is the biggest of them all, and in which none of the packers is interested.

Mr. **Rubey.** My district does not deal with Chicago. It probably gets its information from the stockyards papers in Kansas City and St. Louis.

Mr. **Weld.** Of course the same thing is done by the people on the other side of the fence through their journals.

Mr. **Rubey.** Yes.

Mr. **Weld.** Of course you know that the wholesale grocers, for example, through their salesmen, get people all over the country to write in and telegraph in in favor of these bills last summer, on the other side.

Mr. **Rubey.** Well, I was just wondering whether this was educational advertising or not.

Mr. **Lightfoot.** May I ask a question or two right there in order to further elucidate this matter?

The **Chairman.** Yes.

Mr. LIGHTFOOT. Mr. Weld, do you know to what extent the packers are interested in these papers that Mr. Rubey alluded to?

Mr. WELD. I do not know to what extent, but I know that probably there are four or five of them in which the packers are interested. I think that Swift & Co. are interested in two or three.

Mr. LIGHTFOOT. Do you know whether or not, as a matter of fact, Swift & Co. is the only packing company that has an interest in any of them?

Mr. WELD. No, sir.

Mr. LIGHTFOOT. And that they are interested in only one?

Mr. WELD. Are you sure you are correct on that?

Mr. LIGHTFOOT. I am asking you the question, if that is not the fact.

Mr. WELD. I thought we were interested in two or three of these papers.

Mr. LIGHTFOOT. Under this decree the packers have to give up their interest in newspapers, and I think that the only one of the packers that has had an interest was Swift & Co. and in only one paper. Wilson & Co. have no interest in any stockyard paper.

Mr. WELD. I might say, right here, that when I was at the University of Minnesota some six or seven years ago, studying independently the situation there, the paper at South St. Paul—well, I went to the editor of that paper, and I asked him, "Who owns this paper?" He said "The estate of G. F. Swift." In other words, I went there as an outsider to the man who owns the paper, and he told me. I then said "Why do you find it worth while to own a little newspaper in South St. Paul?" He said, "Well, if you had seen this paper before we bought it and were to see it now, you would understand. From a little ragged sheet that did not amount to anything, and that did not have worth while quotations, and not published on decent paper, we have transformed it into an attractive paper, printed on good paper, with good quotations, and it is in demand by all of the shippers. If you had seen the change that took place you would say it was worth while, and you would see why we were interested in getting out a decent market paper at South St. Paul, so that the shipping public would know something about the market."

That transpired long before I ever had any idea of being connected with Swift & Co. I made up my mind then that it seemed all right for the packer to own such papers. I could not find out but what they had accurate quotations, which are very important, and I believe it can be shown that so far as we have had any interest in these quotations that we have helped to make it possible to disseminate reliable market quotations and that we have been a benefit to these markets where we have had an interest in these papers.

Mr. LIGHTFOOT. I thought it fair to the Congressman to state that situation, and I think it fair to state now that when these hearings were on last year the Institute of American Meat Packers compiled an analysis of these bills, and that was distributed quite widely to the producers throughout the country, and probably some of those producers may be wiring or writing in now.

Mr. RUBEY. I think the witness answered the question when he said that they probably came through the efforts of some of the traveling men who sold their stuff throughout the country. I do not think there is any doubt about that being where they came from.

Mr. **Weld.** I do not know whether they are doing that now or not. I know that they were doing that last summer, the same as the people on the other side did it.

Mr. **Rubey.** Since you have mentioned it, I remember it now that some month or so ago I got a letter from a gentleman who said that a traveling agent—and I do not remember now whether of Swift & Co. or some other packer, had been in town and had asked him to write me a letter against certain legislation, and that in compliance with his request he was writing me and asking me to look into the legislation.

Mr. **Weld.** Of course, there are some people who when requested to do such a thing will go to work and write a letter without having any personal view of the matter. But people of any intelligence will not comply with such a request unless they really believe in it. And they do not need to know all of the details of the legislation. One only needs to be told a few words; that this (1) creates a commission over one single industry; (2) that it creates practically an antitrust law over one single industry; and (3) that it gives a commission power to say what a single industry may handle or may not handle. These three things alone are enough to make any business man throw up his hands in holy horror and say, "What are we coming to if these things are going on down in Washington?" He would naturally be glad to protest against any such socialistic steps being taken by our Government.

Mr. **Anderson.** And you are very careful to explain to them that they will come next; that this legislation is not to be confined to the packing industry.

Mr. **Weld.** We are very careful to say to them, "you may be next on this legislation:" sure.

Mr. **Wilson.** And there isn't any doubt about that, is there?

Mr. **Weld.** Well, that is what it looks like to us. If you start in with this one industry you may as well go ahead with the balance.

Mr. **Rubey.** We will take them up one at a time.

Mr. **Wilson.** Very well, we will take them up one at a time perhaps, but that is the way it looks.

Mr. **Weld.** Mr. Anderson, I believe you made the statement that we have been spending from $8,000,000 to $12,000,000 a year on misinformation. I believe "misinformation" is the expression Mr. Anderson used.

The **Chairman.** Before we go on with that suppose we discuss the reappraisement: You spoke about the property of Swift & Co. or of the Big Five being reappraised. Why was that done?

Mr. **Weld.** Reappraisement of our physical property?

The **Chairman.** Yes.

Mr. **Weld.** Mr. Chaplin, you tell us about that.

Mr. **Chaplin.** I believe it was in connection with some Treasury Department ruling as to the value of assets. I believe there was some ruling that set the valuation as, I think, of January 1, 1914, as the basis that would be acceptable.

The **Chairman.** I desire to call attention to the Federal Trade Commission report made June 29, 1918, to the Senate, in response to Senate Resolution 255 that it furnish the Senate with facts, figures, data, and information in its possession relative to profiteering. It cites many unusual profits. On page 14 it makes a statement about excess profits. Then it goes on to call attention to one striking instance where one company's net profits were reported to have increased 600 per cent, or from $644,390.90 in 1914, to $3,576,544.27 in 1916.

Mr. **Weld**. Did it say how much their sales had increased?

The **Chairman**. I do not recall. Here is the letter from Mr. Louis F. Swift to his brother Edward F. Swift, stating that he has learned that the Government expects to establish profit control in the leather industry and suggests advisability of reappraising their property in certain companies. Edward F. Swift replies:

> I approve, if done quietly and promptly.

Then here is a letter from Mr. Edward F. Swift, in which he said:

> We have had a virtual statement from Mr. Cotton that the Government expects to establish profit control in the leather industry. With this notice I think we should at least consider the advisability of reappraising the properties of the following companies: A. C. Lawrence Leather Co., National Calfskin Co., Winchester Tannery Co., St. Paul Tannery Co., Ashland Leather Co., St. Joseph Tanning Co. (in which we have only 50 per cent ownership).
>
> If it is agreeable to you, will arrange with Mr. Moon to go into the matter and submit figures. Awaiting your reply.
>
> Louis F. Swift.

That had some connection with Mr. Cotton, who had control of food supplies, or the buying of food supplies, after Mr. Swift had gotten some interesting information.

Mr. **Weld**. Wasn't that Mr. Carton?

The **Chairman**. It says Cotton. Everybody knows Mr. Cotton.

Mr. **Chaplin**. The understanding with the Food Administration was that the packers would be put on a parity so far as their valuations were concerned.

The **Chairman**. The understanding was that they were to be allowed a certain profit on capital stock investments and borrowed money. Therefore it was necessary to have the appraised value to get it up as high as possible in order to get big profits, was it not?

Mr. **Chaplin**. No; that was not it. Some of the packers had reappraised their properties a few years previous to that time, and some had carried them at the same price for a great many years. To put all the packers on a parity it was necessary to make some adjustments so that they would all be on a uniform basis.

The **Chairman**. Louis C. Swift wrote his brother stating he has learned that the Government expects to establish a profit control.

Mr. **Weld**. We wanted to get a correct appraisal of our properties. They had not been appraised for a long time so as to allow a just profit, because it was based on a fictitious value that did not apply to present conditions. There is nothing there to indicate that we wanted to give any wrong appraisal or anything of that sort; we just wanted to bring the appraisal of our properties up to date.

The **Chairman**. Under the income-tax law many companies find themselves embarrassed, because the capital stock does not represent the investment in the business.

Mr. **Chaplin**. That was one of the factors in connection with this. That meant equalization of value in connection with the Food Administration.

The **Chairman**. So the suggestion came from the Food Administration.

Mr. CHAPLIN. The Food Administration made a certain rule as to values of fixed property; I do not remember what the rule was, but all packers were to be on a parity. Some packers had used values of years before and some had not, and it was to bring these that were low upon a parity with the others. In addition to that, the income-tax people had made certain rules that we thought would permit our valuations to be increased.

The CHAIRMAN. What profit were you allowed to make on your capital?

Mr. CHAPLIN. Nine per cent.

The CHAIRMAN. How much on borrowed money?

Mr. CHAPLIN. Nine per cent.

The CHAIRMAN. What was the rate of interest at that time?

Mr. CHAPLIN. Around 6 per cent, I think.

The CHAIRMAN. So there was 3 per cent profit then on every dollar borrowed?

Mr. WELD. Is not that all right? Are you not supposed to make any money on the money that you borrow?

The CHAIRMAN. If you borrowed it at 6 per cent and were allowed to make 9 per cent, you would be allowed to make 3 per cent on it?

Mr. CHAPLIN. But you only got the 9 per cent if you were able to earn it. You had to take that risk.

Mr. WELD. We did not make 9 per cent; we only made 5.6 per cent.

Mr. ANDERSON. On what?

Mr. WELD. On all money employed, including the borrowed money.

Mr. McLAUGHLIN of Michigan. That is above the rate of interest?

Mr. CHAPLIN. That is not above the rate of interest; no.

The CHAIRMAN. You say you made 6 per cent on your borrowed money? If you borrowed $1,000,000 you made 6 per cent on that?

Mr. CHAPLIN. Oh, no; the five packers made 5.6 per cent. If they paid 6 per cent they lost four-tenths of 1 per cent on their borrowed money. That is what that means.

Mr. YOUNG. What did this reappraisal include?

Mr. CHAPLIN. Real estate, buildings, cars—all fixed equipment.

Mr. YOUNG. Suppose you had a pretty good plot of real estate that had cost you $10,000——

Mr. CHAPLIN (interposing). Fifty years ago, perhaps.

Mr. YOUNG. And at the time you made this reappraisal you considered it was worth $25,000. What rule would you go by?

Mr. CHAPLIN. Present-day values; or rather the values as of January 1, 1914.

Mr. YOUNG. In most banks in the country that I am familiar with, if they invest in a lot and put a building on it and the furnishings in it, as far a I know they are not in the habit of reappraising that at a higher estimate than the original cost price, but as a rule from year to year they take off for depreciation.

Mr. CHAPLIN. How is it on the farms? Take the farmers around your district. Do they not mark up the price of their land all the time as it increases?

Mr. YOUNG. They sell it for what they can get for it, of course.

Mr. CHAPLIN. If the farmer could sell his land for $15,000 an acre, he could capitalize it for $15,000 an acre.

Mr. Young. Well, to take the illustration I used of the $10,000 plot of ground, if it has increased in value to $25,000, then that is a profit that you have made.

Mr. Chaplin. No; it is not a profit.

Mr. Young. That is what we would call a profit in my country.

Mr. Chaplin. It is not a cash profit.

Mr. Veeder. It is an asset.

Mr. Weld. It is not a profit on the current operations, anyway; it is an enhancement of your assets.

The Chairman. What did you say was the profit on your borrowed capital—borrowed money?

Mr. Chaplin. I do not think they made any profit on borrowed money under the Food Administration.

The Chairman. The profit was fixed, you say, at 9 per cent, was it not?

Mr. Chaplin. It was fixed at 9 per cent, but they were not able to make that; they only made 5.6 per cent.

The Chairman. On what?

Mr. Chaplin. On the capital and surplus and borrowed money—the three together. They made 5.6 per cent on the three together.

The Chairman. Then you really made a profit on borrowed money?

Mr. Chaplin. No; we did not make any profit on borrowed money.

The Chairman. Was not that profit in excess of the interest paid?

Mr. Chaplin. No, it was not. The interest had to be paid out of that. We also had to pay out of that any donations we made to the war charities, or any publicity expense, and a number of other items have to be paid out of that. That was not net.

The Chairman. Mr. Weld stated that they deducted the interest.

Mr. Weld. The dividends on capital stock that is; that had to come out of that.

The Chairman. But you stated the interest paid on borrowed money was deducted as a part of the expense.

Mr. Weld. In figuring our profit in 1919, yes. That is our ordinary way of expressing our profit, after paying interest on borrowed money.

The Chairman. Then how do you harmonize that statement with your other statement?

Mr. Weld. That was a special rule of the Food Administration that we should figure that way. We did not express our financial statement that year in that way.

Mr. Marsh. Mr. Chairman, may I ask the witness a few questions?

The Chairman. Are there any other questions to be asked by members of the committee? There seem to be none.

Mr. Marsh. About how much did the packers borrow on which they earned 5.6 per cent?

Mr. Chaplin. About half of the money, I think, they borrowed.

Mr. Marsh. What do you mean by that?

Mr. Chaplin. Half of the money they used was borrowed money.

Mr. Marsh. Was that over and above the surplus which they had made in the last few years?

Mr. Chaplin. Yes. They used in the business the capital, the surplus, and the borrowed money. They used the surplus without having to pay any interest on it, and the money they borrowed from the bank was about half of the total they used.

Mr. MARSH. About what was the average rate of interest on the borrowed money?

Mr. CHAPLIN. I should say between 5 and 6 per cent.

Mr. MARSH. So there would be a little net profit on that that you got at 5 per cent, plus the profit on your surplus from accumulated profits, would there not?

Mr. CHAPLIN. No; I do not think there was any profit on the borrowed money—the money we borrowed from the bank.

Mr. MARSH. The profit was on your surplus?

Mr. WELD. On capital and surplus, yes; there was some profit, out of which we had to pay dividends. Of course you understand that surplus is money invested in the business, just as much as the capital is. It does not represent any amount of cash put aside, or anything of that sort; it is just money we have had to put back into the business to make it grow and improve our equipment, etc.

Mr. MARSH. In a New York Times editorial that appeared after the decision of the Supreme Court that stock dividends were not taxable it was stated that that would relieve Swift & Co. from paying a tax on $25,000,000 of stock dividends. Is that correct?

Mr. CHAPLIN. No; it would relieve the share holders that got the dividends from paying the tax. It does not affect the company at all.

Mr. ANDERSON. I think that relief will be only temporary, however.

Mr. MARSH. I hope so. How many stockholders are there in Swift & Co.?

Mr. CHAPLIN. About 48,000.

Mr. WELD. Not that many; about 40,000.

Mr. CHAPLIN. Forty-eight thousand was my last figure.

Mr. WELD. I think it is about 40,000 and a little over. Twenty thousand of those are employees. As a matter of fact, all of those 40,000 are not on the books yet. That is, there are a number of our employees that are paying for their stock on the installment plan, and when they have completely paid for that stock then their name appears on our stock records. I suppose there are some 30,000 names on our books now. Outside of two or three other corporations—outside of the Steel Corporation, the Pennsylavania Railroad, and perhaps one or two others, Swift & Co. has more stockholders than any other corporation in the country.

Mr. MARSH. About what proportion of the stock is held by, say, the 100 largest stockholders?

Mr. WELD. Well, I do not know that I could get at that. I can say that the Swift family own less than 40 per cent of the total, which is probably more to the point you are trying to get at.

Mr. MARSH. I will come at that next; you have anticipated it. So the Swift family do get, roughly, 40 per cent of the profits?

Mr. WELD. Of the dividend payments.

Mr. MARSH. And of the surplus payments in the issuance of stock.

Mr. WELD. Well, when stock dividends are issued, they are issued to the stockholders of record in accordance with the amount of stock they hold, yes; but the proportion of the total would not change.

Mr. MARSH. When these stock dividends were issued, did you have any such large number of stockholders?

Mr. WELD. It was not as large before, because within the last year we have added a great number of the employees. Up to the time that the stock dividend was issued in 1918, I think, there were about 23,000 stockholders.

Mr. MARSH. Mr. Armour has stated that his business was a family affair.

Mr. WELD. Very largely; yes, I believe so.

Mr. MARSH. And Swift approaches that situation?

Mr. WELD. Swift & Co. is very far from that situation.

Mr. MARSH. A 40 per cent family affair?

Mr. WELD. Less than 40 per cent.

The CHAIRMAN. They made 263 per cent. You say it is only 6 per cent. How do you explain that?

Mr. CHAPLIN. No; Swift did not make 263 per cent. That refers to Morris.

The CHAIRMAN. I should say Morris.

Mr. WELD. On capital stock alone.

The CHAIRMAN. How much would that be on capital stock and surplus? You speak about capital stock including your surplus.

Mr. WELD. That was somewhere around 17 or 18 per cent, as I remember it.

The CHAIRMAN. Then, how do you harmonize the 17 per cent profit with a 6 per cent profit?

Mr. CHAPLIN. You are talking about different years.

Mr. WELD. Yes; you are talking about different years. That is 1917, and for 1918, 5.6 per cent was for all the——

The CHAIRMAN (interposing). Is that all that Morris made?

Mr. WELD. I do not know what Morris made that year. I know that 5.6 per cent was for the five packers as announced by the Food Administration. Swift & Co. made 7 per cent, and the average was 5.6 per cent, so some of them must have been pretty low. What they were, I do not know.

Mr. TOMLINSON. This per cent you made was not on your entire business, but on what the Food Administration allowed you to earn on, was it not?

Mr. WELD. It was on the meat departments of our business, and it was about two-thirds of our total business. That 7 per cent on the total capital employed would probably have been 10 or 12 per cent on the actual investment in the meat business. Our total profit that we made on all of our business was a little over 11 per cent on our total investment. Our profit that year was 7.57 per cent on our meat business. That was on sales of $922,000,000, when our total sales were $1,200,000,000, so that that was on three-fourths of our business. It amounted to 2.04 cents on each dollar of sales in our meat department.

Mr. ANDERSON. This 7 per cent you are talking about, then, was the profit on all sales?

Mr. WELD. No, sir.

Mr. ANDERSON. On meat? It does not include anything else?

Mr. WELD. On the capital employed in our meat departments that year, including borrowed money. We were allowed 9 per cent, and the five packers together made only 5.6.

Mr. ANDERSON. That 5.6 per cent is also the profit on meat?

Mr. WELD. Yes; in the meat departments.

Mr. ANDERSON. I say, it is on meat?

Mr. WELD. Yes, sir.

Mr. ANDERSON. It does not include anything else?

Mr. WELD. No, sir.

Mr. MARSH. Have these profits been audited by the Federal Trade Commission?

Mr. WELD. You mean those announced by the Food Administration? I do not know whether they actually audited them or not. They were going through our books at the time and I thought that the Federal Trade Commission cooperated with the Food Administration in getting up our figures, but I do not know definitely about that.

Mr. CHAPLIN. I will state that we had these figures for the Food Administration specially checked. We had a firm of public accountants work on them and check every figure; we wanted to make sure there would not be any mistakes. I think the figures will be found correct if you check them up.

Mr. WELD. And there would be no object in our trying to falsify our figures.

Mr. YOUNG. Mr. Weld, the testimony here shows that you own a number of oil mills in Texas. How do you carry that business?

Mr. WELD. That is a part of our total business that is reported as a part of our total business.

Mr. YOUNG. But your oil mills are under separate charter from Swift & Co.?

Mr. WELD. I can not answer that. Ask Mr. Veeder that, he knows about those things. I think some of them are under separate charter and some of them are not, but I am not entirely sure. I think some of them are separately incorporated and the stock owned by Swift & Co.

Mr. CHAPLIN. But the earnings are all in here.

Mr. WELD. The earnings are all in here just the same.

Mr. YOUNG. The only interest you have in the oil mills, so far as the packing end of it is concerned, is in the oil?

Mr. CHAPLIN. It is to get oil to make compound lard with.

Mr. YOUNG. That is the only interest you have in the oil mill business?

Mr. CHAPLIN. Yes, sir.

Mr. YOUNG. You would not think of taking it over but for that one purpose? The cake and hulls and linters are foreign to your packing business?

Mr. WELD. Yes, sir.

Mr. YOUNG. What do you do with the stuff that you do not need?

Mr. WELD. Sell it on the market, at the market. As the Federal Trade Commission itself shows, the five large packers account for only 7 per cent of the crude-oil output of the United States and hence only 7 per cent of the cake produced in the United States. And the three large packers that own oil mills are in competition in handling that 7 per cent of the total output. So any suggestion that we control or artificially raise a price of cottonseed cake is absurd and foolish.

Mr. YOUNG. I was more interested in the other lines, as to whether or not you controlled the price of the farmers' cotton seed.

Mr. WELD. Well, you can see perfectly well that if three packers, in competition with each other, handle only 7 per cent of the farmers' cotton seed that is used in making oil there is no chance whatever of their controlling the business in any way.

Mr. YOUNG. But if they should decide to reach out and control all the oil mills it would be a different proposition.

Mr. CHAPLIN. They have not money enough or ability enough.

Mr. WELD. Even if the large packers owed all the oil mills, as long as there is competition among the large packers, they could not control the price; they could not get together.

Mr. YOUNG. As a matter of public policy, do you think it is a healthy condition that an independent business like the packing business, with such tremendous issues involved, should reach out and enter the cottonseed-oil business?

Mr. WELD. I think that from the standpoint of general economy of the country it is a good thing if the packers, through making large quantities of lard substitute, soap and oleomargarine, and butter substitutes, where this cottonseed oil is necessary—if they can buy their raw material any more efficiently by owning some of the mills I believe it is a good thing for the country.

On the other hand, if there is a very pronounced prejudice against that, and it can not be understood by a great many people that we are widening the market for the cotton producer and the cottonseed producer and that we are handling that stuff more efficiently, then there is a question of policy as to whether we should not sacrifice what we know is economically sound in order to allay that suspicion and misunderstanding and prejudice that exists. What we should do I do not know. Possibly we have made a mistake in going into any such thing.

Mr. YOUNG. To be candid with you, I think you have.

Mr. WELD. Possibly we have, and yet from an economic standpoint we can absolutely justify it.

Mr. YOUNG. That is, from an economic standpoint from the packer's point of view. Because no doubt if he gets in control of the oil mills of the country he has a terrific power over about 4,000,000 people who are engaged in growing cotton.

Mr. WELD. That would apply to any product that is handled. If we get it all and have a monopoly then I say we ought to be prevented from getting into such a situation.

Mr. YOUNG. I think one of the things that has caused public sentiment to be aroused against the packers is the fact that they have gone into so many lines of business. It is an overwhelming situation to contemplate, and the average citizen becomes alarmed that you are reaching out to control various industries. And I think personally it would be a much more healthful state of affairs for the oil mill business for local capital to build these little mills and let you gentlemen who need this product buy the product from them and not go there and supersede them in the ownership. Other people have to have something to do, and driving them out of that line of business naturally arouses suspicion and prejudice against any concern, whether it be the packers or anybody else.

Mr. WELD. We are not driving anybody out of business, because the more we go into such lines, the more people we are giving employment to and the better we are serving the producers of cotton seed and the consumers of the product, the better the country is served by adding our facilities to those that were in existence and by adding our competition to those who are already competing.

Mr. YOUNG. As a matter of fact, did not you gentlemen buy mills already established instead of establishing mills as an original proposition?

Mr. WELD. We did, and we had not only a larger market, a larger outlet for the producers of cottonseed cake, but we probably have set the pace in bringing about economies in the production of cottonseed oil and cottonseed cake.

The CHAIRMAN. In pursuance of the understanding reached this morning we will hear Mr. Owen at this time.

STATEMENT OF MR. HARRY N. OWEN, PUBLISHER OF FARM, STOCK AND HOME, MINNEAPOLIS, MINN.

Mr. OWEN. Mr. Chairman, I really have not very much to say. I was here on other business, and it was thought that possibly it might be a good idea to have me state the sentiment of the farmers of the Northwest as it is reflected to me in my business.

According to my best judgment, from letters I receive from throughout Minnesota, North Dakota, and South Dakota, there is a strong sentiment in favor of the enactment of the bill you now have before you. There is a widespread feeling that the supervision of the packers will be a good thing in the long run for the producer. I have no documentary evidence to present on that at this time, as I did not come here with any expectation of appearing before this committee.

Mr. ANDERSON. Mr. Owen, you are the editor of Farm, Stock and Home?

Mr. OWEN. Yes, sir; editor and publisher.

Mr. ANDERSON. It has been the policy of that paper, if my recollection serves me correctly, to keep in touch with the farm population. You get a very large number of letters with reference to the sentiment of the farmers upon a great variety of questions?

Mr. OWEN. Yes, sir.

Mr. ANDERSON. And that relation which you have sustained to the farming population of the Northwest, particularly Minnesota and North and South Dakota, enables you to have a pretty accurate idea of what they are thinking about and what they think about what they think about.

Mr. OWEN. I think that is put very well.

Mr. ANDERSON. And as I understand you, it is your impression that they believe there should be some regulation of the live-stock markets and the packing industry.

Mr. OWEN. Yes, sir.

Mr. McLAUGHLIN of Michigan. Has your paper taken a position, and have you written on these bills?

Mr. OWEN. Yes; we have taken a position favorable to the legislation.

Mr. McLAUGHLIN of Michigan. Were the letters that you received written before or after your publication?

Mr. OWEN. Oh, a good many of them came in before any publication was made. A good many of them have come in since.

Mr. McLAUGHLIN of Michigan. What part of them do you think came in before and what part afterwards?

Mr. OWEN. Well, naturally, most of them have come in afterwards, because as soon as the legislation was introduced we lined up for it. There was not a great deal of opportunity for very much to come in before we had lined up.

Mr. McLAUGHLIN of Michigan. What is your position respecting this legislation, and why?

Mr. OWEN. Why, I believe conscientiously it would be a good thing for the producer to have some control over the packers. Of course if we should go into the discussion of why I think so we would take up a lot of time, and I would go over ground which I presume this committee has been over with other witnesses to a very large extent.

Mr. McLAUGHLIN of Michigan. That would very likely be true. It is not so likely that you would cover altogether the same ground. But if you have studied these bills—as I feel, of course, you have or you would not write about them—you know what they are and can tell us why you think they are necessary. You must know something of what you consider the mistakes or abuses or opportunities for them existing at present. What has led you to believe that this legislation is necessary?

Mr. OWEN. Of course this is a matter which has been to a certain extent, or will be to a certain extent, adjusted under the arrangement made with Attorney General Palmer. The overcharges at stockyards for feed—that was one of the abuses. That, as I say, probably will be corrected.

Just as an illustration, the stockyards at South St. Paul are now under the jurisdiction of the Minnesota Railroad and Warehouse Commission. In the first five months of that jurisdiction a saving was effected of about $133,000 in the price of feed and the putting in of small scales to weigh sheep and veal calves that heretofore have been weighed on the large scales and weighed inaccurately. Of course that was an abuse that was existing when this matter first came up, but has since been corrected, or will be corrected, I hope, under this new arrangement, and has been corrected in Minnesota.

Mr. YOUNG. You say that is under the Railroad Administration?

Mr. OWEN. Under the Railroad and Warehouse Commission.

Mr. YOUNG. How did you get control?

Mr. OWEN. By the State legislature.

Mr. McLAUGHLIN of Michigan. That is a State body, organized under your law?

Mr. OWEN. Yes, sir.

Mr. McLAUGHLIN of Michigan. Has it worked satisfactorily, do you think?

Mr. OWEN. It has worked very satisfactorily from the shippers' standpoint; I do not know just how the packers regard it.

Mr. YOUNG. Would you favor, in addition to that, Federal supervision?

Mr. OWEN. Well, I do not know—that is, in addition to that in that particular yard, but in view of the results accomplished by the State commission I should say that supervision of yards by the Federal powers might produce the same result in other yards. I do not know that it would be necessary in Minnesota; they seem to be producing the result we want.

Mr. WELD. May I ask Mr. Owen a question or two?

Mr. ANDERSON. Yes.

Mr. WELD. Mr. Owen, do you think that regulation of the yard and practices in the yard necessarily involves commission regulation of the packing companies themselves?

Mr. **Owen**. Well, as I understand the situation, you expect soon to be out of the yards, so as far as the yards are concerned, why possibly that point may be well taken.

Mr. **Weld**. So that these abuses in the yards with regard to weighing that you speak of would not necessarily be an argument for permanent regulation of the packing companies?

Mr. **Owen**. Of course there are other matters. There is the matter of alleged noncompetitive buying, and so on. That might be subject to Federal control. Our Minnesota commission, of course, can only go just so far. In the nature of things they can not go into the full details of the meat business. After the animal leaves the yard and goes into the packing houses, why, our commission has no further jurisdiction. Their jurisdiction as it stands now, stops at the yards.

Mr. **McLaughlin** of Michigan. In that yard have you found that there was any competition?

Mr. **Owen**. Well, I can not say there was no competition, of course.

Mr. **McLaughlin** of Michigan. Was it restricted improperly, in your judgment, previous to the action of the commission?

Mr. **Owen**. Well, there were peculiar things occurred. They may have been proper, but they were peculiar. Of course it is difficult for an outsider to say differently or to go on the stand and say that there is collusion in buying, but that is the general impression on the part of the shippers.

Mr. **Weld**. You can not give any specific proof that there is collusion in buying, can you?

Mr. **Owen**. I can not, no; not right now.

Mr. **Weld**. Do you not think there are at present laws that cover such a situation if there is collusion in buying?

Mr. **Owen**. Well, if there are, nobody seems to pay any attention to those laws.

Mr. **Weld**. You mean that they are not lived up to?

Mr. **Owen**. They are not lived up to.

Mr. **Weld**. Can you prove that?

Mr. **Owen**. I never heard of any prosecutions under those laws. Have you?

Mr. **Weld**. No; but has it occurred to you that possibly they have not found grounds for prosecution?

Mr. **Anderson**. There have been some prosecutions, but they have always ended in a consent decree.

Mr. **Weld**. I do not know whether you could call that prosecution or not.

Mr. **McLaughlin** of Michigan. Is there more competition in your yards now than there was before?

Mr. **Owen**. I do not think so.

Mr. **McLaughlin** of Michigan. Then that law and that process of handling the matter has not affected that?

Mr. **Owen**. It has not affected that; it has simply reached one or two specific abuses.

Mr. **McLaughlin** of Michigan. Are you prepared to speak of other abuses that you think exist and might be corrected? I am trying to get your opinion as to whether this legislation should be enacted. I think your opinion would be helpful. Why do you think it should? It must be because of some abuse that exists or some condition that might be corrected. What has come to your notice and what is the basis of your opinion? You know, it is said a man's opinion is only as good as his reasons.

Mr. **Owen**. Yes; of course. Well, there is quite a classical case up there that probably has been referred to here before, of a shipper by the name of Burdick who sold a bunch of steers at a certain price—I have forgotten just exactly the details of it—and afterwards had those same steers offered back to him at a higher price. That is a matter of record up there in the South St. Paul yards. As I say, if I had come here with the idea of appearing before this committee I would have come loaded.

Mr. **Weld**. Was there anything wrong in that circumstance?

Mr. **Owen**. Well, I do not know. It seems as if when a man brings a load of steers into the market he is naturally entitled to get the proper price for them, is he not?

Mr. **Weld**. Have you any evidence that he did not get all they were worth when he sold them?

Mr. **Owen**. Why, I should say that selling a bunch of steers one morning and having them offered back to him before night would be pretty presumptive evidence that he did not get what they were worth.

Mr. **Chaplin**. Did he sell them to a packer?

Mr. **Owen**. No; he sold them to one of the buyers in the yards.

Mr. **Chaplin**. A packer?

Mr. **Owen**. I do not know whether he was acting for a packer or not.

Mr. **Chaplin**. If he sold them to a packer, would not the packer have taken them and killed them and not offered them back to the man? So that case does not really affect the packer, does it?

Mr. **McLaughlin** of Michigan. What was the difference between the two prices?

Mr. **Owen**. I am not clear on that, just what the difference was—I would have to speak from memory—but it was quite material.

Mr. **McLaughlin** of Michigan. Do you know whether or not there were any conditions existing there that caused a fluctuation of price that day?

Mr. **Owen**. I do not know just why it should have happened.

Mr. **Weld**. You know, though, that the price often does fluctuate during the day?

Mr. **Owen**. Oh, yes.

Mr. **Weld**. Upward as well as downward.

Mr. **McLaughlin** of Michigan. Are licenses issued to anybody engaged in that business under that law?

Mr. **Owen**. Let me see—I think a bond is required. A bond must be filed.

Mr. **Weld**. By whom?

Mr. **Owen**. By the speculator, as they call them, or the commission man.

Mr. **Weld**. That does not affect the packer, does it?

Mr. **Owen**. That does not affect the packer.

Mr. **McLaughlin** of Michigan. Is a bond required of the packer?

Mr. **Owen**. I do not think so. How is that, Mr. Anderson?

Mr. **Anderson**. I do not know; I have not gone into it at all.

The **Chairman**. In order that the record may be clear—you refer to Mr. Burdick, of Williston, N. Dak.?

Mr. **Owen**. Yes. That case has been referred to here before, has it not?

The CHAIRMAN. No; I simply wanted the record to show who he was.

Mr. OWEN. His name was Usher Burdick.

Mr. McLAUGHLIN of Michigan. Is that commission, or the authority that operates under that law, authorized to issue rules and regulations that have the effect of law to such an extent that violation of them is a criminal act?

Mr. OWEN. Well, I do not know that the power would go as far as that.

Mr. McLAUGHLIN of Michigan. Does the law set forth quite fully what is permitted and what is not permitted?

Mr. OWEN. Yes; I would suggest that a copy of that law would be of interest to the committee—just exactly what we have done up there. I can get a copy of that law and send it to Mr. Anderson if you would like to see it.

Mr. ANDERSON. I would be very glad to have it; I have not gone over it at all.

Mr. OWEN. I will do that.

Mr. McLAUGHLIN of Michigan. One of the objections urged against these pending bills is that they authorize the making of rules and regulations the violation of which is a crime. It is insisted that laws should be specific and that only violation of those specific laws should be a crime. What do you think of that?

Mr. OWEN. Well, as a matter of principle, I am frank to say that I do not believe that any body of men should be given legislative functions. As a publisher I am up against that every day in the Post Office Department. The Post Office Department legislates by rulings, and as a matter of principle I do not think that is a good idea. I am frank to say that.

Mr. WELD. That being the way you feel, do you know of any specific things that the packers are guilty of that should be prevented by law that are not already prevented by law?

Mr. McLAUGHLIN of Michigan. Or forbidden by law? They are not prevented.

Mr. WELD. Or forbidden—and it so happens they are prevented also.

Mr. OWEN. That is quite a question to ask me to answer offhand.

Mr. McLAUGHLIN of Michigan. Have you looked over this consent decree that was entered?

Mr. OWEN. Well, yes; but I have not analyzed it, I am frank to say.

Mr. McLAUGHLIN of Michigan. Have you an opinion as to whether you think that would be effective to reach the objectionable things that you have seen or heard about in the packing business?

Mr. OWEN. Why, I think it leaves the meat proposition, the handling of meat and the buying and selling of animals, just about where it was. I do not think that consent decree has made any difference there. It has simply taken the meat packers out of other lines of business. I may be mistaken on that, but that is my impression.

Mr. WELD. On that question of how far those engaged in the packing business should be permitted to go outside of their particular line, do you know of lines of business in which they engage that you think are improper and should be forbidden?

Mr. OWEN. Well, that is a matter, as I understand, that is a closed issue in that consent decree. I do not know that my opinion would have much weight either way.

Mr. McLAUGHLIN of Michigan. That decree affects only the parties to it. There are a great many packers in the country that are not affected by that decree. But as a general principle, are there lines of business, in your opinion, in which the packers engage which should be closed to them by law?

Mr. OWEN. Of course, that opens up the question of how far we can go in controlling business.

Mr. McLAUGHLIN of Michigan. Aside from the constitutional authority or power of Congress to forbid a company to engage in certain lines of business, how far do you think it would be well for us to go, if we do so at all?

Mr. OWEN. As I understand it—I may be misinformed—but as I understand it, the packers were contemplating, if they have not already done so, going into the hotel business to a certain extent in New York. It seems to me that is stepping outside of the meat industry, but whether that particular activity should be forbidden by law or not, is an open question. That would be a matter of opinion.

Mr. WELD. That is one of the principal things that the bill now under consideration provides, that the commission shall have power to say what products we may or may not handle. Do you think that is a good principle to adopt in legislation?

Mr. OWEN. Well, possibly, in some cases not. But when anybody connected with any line of business states, as was stated, that they consider their line of business is bigger than the Government, I should say it was close to a show down there and we should have to find out.

Mr. WELD. What do you mean by "stating it was bigger than the Government"? Do you think any packer has implied that he has any greater power than the Government, that he is able to override the laws of the Government?

Mr. OWEN. Why, one of your men located at Omaha is reported to have made that remark.

Mr. WELD. Do you attach any significance to that, that it means that the packers can do what they want irrespective of the Government?

Mr. OWEN. That is about the construction that ordinary men would put upon it; yes, sir.

Mr. WELD. Do you think that is the attitude of the packers, the true attitude of the packers?

Mr. OWEN. Have they disclaimed it?

Mr. WELD. They certainly have made no statement to warrant any such conclusion.

Mr. McLAUGHLIN of Michigan. Do you remember who it was made that remark?

Mr. OWEN. Why, it was the manager of one of the Omaha houses there. His name has escaped me just now.

Mr. McLAUGHLIN of Michigan. Do you remember what that was?

Mr. OWEN. I can not quote it verbatim——

Mr. ANDERSON (interposing). Buckingham, was it not?

Mr. OWEN. I think so—but it was to the effect, "Why, what is the use of trying to control the packers? We are bigger than the Government." Mr. Marsh, you have that on file somewhere.

Mr. MARSH. We have the record that was carried all over the country. I understood it was the manager of the stockyards at Omaha. I presume he was going upon the record of the packers.

Mr. WELD. Swift & Co. have 50,000 or 60,000 employees in the United States. Do you think any such remark by a subordinate of the company should be credited as of significance?

Mr. OWEN. Well, taken by itself, no. But taken by the attitude of the packers for the last 20 years, I would say yes.

Mr. WELD. What evidence have you that we have adopted any such point of view with regard to the Government?

Mr. OWEN. Why, it seems to me that anyone who will look over the record of the packing industry, say for the past 20 years, would find that was a pretty logical conclusion to come to.

Mr. MCLAUGHLIN of Michigan. That is just what I am trying to find out. Your opinion is to a certain effect. Upon what is it based?

Mr. OWEN. Well, based on the number of times the packers have been investigated, with absolutely no results as far as either the producer or the consumer is concerned, the natural idea would be that they were bigger than the Government. That would be the natural conclusion. I do not know just how many investigations or how many hearings you have had on the packers in the past 10 years.

Mr. MCLAUGHLIN of Michigan. Do you think the other idea would not be tenable at all, that nothing was found that the law could reach?

Mr. OWEN. Well, if that is so why continue these investigations?

Mr. WELD. That is what we would like to know.

Mr. MCLAUGHLIN of Michigan. I am not expecting an opinion on that. I want your help.

Mr. OWEN. Unless they had made a clear case for themselves at the time, these investigations on this attempted legislation would not be so recurrent. I do not believe Congress wants to take up time and have its time taken up by the consideration of useless and unnecessary legislation.

Mr. MCLAUGHLIN of Michigan. I appreciate that it is not easy for you to give the particular matters that you think are objectionable, but as a specific thing, it is suggested that the packers ought not to own the stockyards. What do you think about that?

Mr. OWEN. I do not think they should.

Mr. MCLAUGHLIN of Michigan. Who should own them?

Mr. OWEN. Of course, in point of fact, there is not any way of preventing the same stockholders owning the stockyards that also hold stock in the packing companies.

Mr. MCLAUGHLIN of Michigan. That would be substantially the same control. Do you think that would be objectionable?

Mr. OWEN. Well, it seems to have worked out that way. That is, the general opinion is it has worked out to the detriment of the producer. I may be mistaken, I do not know, but that is the general opinion, that packer ownership and control of the stockyards has worked out to the detriment of the shipper.

Mr. MCLAUGHLIN of Michigan. Well, I think there are others who have the same feeling. Now, where should the ownership of those yards be?

Mr. OWEN. I am not a shipper of stock, but when these shippers of live stock say that that is their conclusion, why, I have almost got to take their word for it, not having any first-hand knowledge. When men like my friend Burke come in and say that they feel the stockyards should not be owned and controlled by the packers I am inclined to agree with them.

Mr. McLaughlin of Michigan. Assuming then they should not be owned by the packers, who should own them?

Mr. Owen. Well, I do not know. I suppose the ideal way possibly would be to have the shippers own them themselves. Then they could fight their battles out right there.

Mr. McLaughlin of Michigan. What would you think of the railroads owning them?

Mr. Owen. Well, I do not know whether that would be an improvement or not.

Mr. McLaughlin of Michigan. That has been suggested.

Mr. Owen. The railroads in many cases own grain elevators without any great amount of complaint. Of course, the elevator business is more competitive than the stockyard business would be. I do not know just how that would work out; I am frank to say that.

Mr. McLaughlin of Michigan. Another thing that has been spoken about is the refrigerators cars. Do you think the packers should be permitted to own and operate their own refrigerator cars?

Mr. Owen. Well, I imagine that there is a practical side to that, where the packers have a certain amount of the rule of reason on their side, a good deal as the railroads say about the Pullman cars, that in the nature of things they can not and do not want to own their own sleepers, on account of the difficulty of distributing those cars to meet traffic conditions—conventions, the traffic to the south, to California, etc. Possibly there is some such reason for the packer ownership of refrigerator cars; I do not know. How is that, Mr. Weld? Is that a parallel case?

Mr. Weld. The Pullman cars? It is largely parallel; yes. That is one reason why the railroads do not own Pullman cars.

Mr. Owen. For that reason I rather incline to the contention of the packers on that.

Mr. McLaughlin of Michigan. Some railroads do own their sleeping cars.

Mr. Owen. Very few, sir.

Mr. McLaughlin of Michigan. Do you know of any difference, as far as the public is able to see, in the operation and service that is given between the Pullman-owned cars and the cars owned by a railroad company?

Mr. Owen. Well, I am frank to say that as far as the Great Northern is concerned the public gets the worst of it, because the Great Northern uses sleepers that the Pullman Co. has discarded. On the Milwaukee I think the public gets fully as good service as they do from the Pullman. Those are the only two lines that I can call to mind just now that own their own Pullmans.

Mr. McLaughlin of Michigan. I think the Milwaukee line has its own.

Mr. Owen. Yes, I say the Milwaukee, and I think that there the public gets a little better service; but that is offset by the worst service they get on the Great Northern.

Mr. Anderson. There would be some difference, would there not, Mr. Owen, between having one large company own all the refrigerator cars, one large pool available to everybody upon equal terms, and having the big five packers, for instance, doing a very large proportion of the business, owning their own cars and everybody else dependent upon what the railroads had?

Mr. **Owen**. Of course, that is true. But suppose the packers form a subsidiary company to build and handle the refrigerator cars, just as the Pullman people handle the Pullman cars; from the standpoint of the public what would the difference be?

Mr. **Anderson**. Well, the difference would be this: I would assume in that case that the entire pool would be handled as a public utility and each car would be available to anybody who asked for it, whereas now 90 per cent of the cars are not available to anybody except the big five in the proportion in which they own them.

Mr. **Owen**. Of course, if the ownership of the refrigerator cars by the packers is used to strengthen a monopoly or used to discriminate against independent shippers, to that extent I should say they should not control them, of course.

Mr. **McLaughlin** of Michigan. Would you advise control over packer-owned cars to the extent of requiring that others might use them whenever they wished?

Mr. **Owen**. Well, I would favor control over the packer-owned cars to the extent that if cars were available at a point where an independent shipper wanted the car he should have that car.

Mr. **Weld**. Of course you know that if the packer has not any use for the car he would be glad to let somebody else use it, so as to get the mileage on the car?

Mr. **Owen**. I hope so.

Mr. **Weld**. You know, there is a shortage of cars among the large packers. They have not enough cars for their own needs.

Mr. **Owen**. There is now, yes; but I think that is not a condition that is going to exist in the future as it has existed in the past. We have had times when that has not been so.

Mr. **Weld**. We have rented them to shippers, and we are very glad to do so.

Mr. **McLaughlin** of Michigan. Do you think it would be advisable for the railroads to be required to have a good supply of refrigerator cars for the public generally and let the packers use their own cars for their own purposes and control them as they please?

Mr. **Owen**. That might be all right under normal conditions, but just at present we can not even get ordinary cars from the railroads to take care of our needs.

Mr. **Weld**. It does not seem to me, Mr. Owen, that the committee can be very clear on just exactly what you stand for. You object to commission-made laws, you are questionable on whether there should be a commission to say what commodities a packer may handle and may not handle, you are pretty definite on the stockyards, that they should be divorced from the packers, which has already been provided for in the decree, and you seem to think it would be a mistake to take away the refrigerator cars——

Mr. **Owen** (interposing). No; I did not say it would be a mistake. If you will pardon me, I said that possibly the packers had some basis for their contention.

Mr. **Weld**. Just what do you stand for—a commission to regulate the packing industry, a system of licensing as provided for in the Anderson bill, or what?

Mr. **Owen**. Why, I think I would have a commission to regulate the packing industry, just as the Interstate Commerce Commission regulates railroads.

Mr. **Weld**. That is, have power over prices, etc., as the Interstate Commerce Commission has power over rates?

Mr. **Owen**. Well, I do not believe that is the intent of this bill, to have that commission have control over prices.

Mr. **Weld**. No, I do not think it is, but you said just like the Interstate Commerce Commission.

Mr. **McLaughlin** of Michigan. Do you think it should go to the extent of permitting the fixing of prices?

Mr. **Owen**. I do not think that would be practicable. Where are you going to stop?

Mr. **Weld**. Do you think this same kind of commission regulation ought to be applied to other interstate corporations?

Mr. **Owen**. Such as Standard Oil?

Mr. **Weld**. Standard Oil, the steel business, or the wholesale grocers.

Mr. **Owen**. I would not think the wholesale grocers were parallel with the packers. The wholesale grocery business is a highly competitive business.

Mr. **Weld**. Have you any evidence that the packing business is not highly competitive?

Mr. **Owen**. It is not as highly competitive as the wholesale grocery business; at all events, there are not as many in it.

Mr. **Weld**. There are not as many? Do you know how many packers there are?

Mr. **Owen**. Well, how do they compare with the wholesale grocers?

Mr. **Weld**. Seeing you do not know, I will tell you. There are about 1,200 packers reported by the census, and probably three or four thousand wholesale grocers.

Mr. **Owen**. Of course that includes the small local packers.

Mr. **Weld**. Certainly, with whom we come in competition.

Mr. **Anderson**. The answer to that is—if Mr. Weld is going to ask and answer questions—there are not any 5 wholesale grocers that do 87 per cent of the business.

Mr. **Weld**. In other words, you think that because there are five large concerns in the packing business that industry ought to be singled out for regulation, whereas the other industries ought not?

Mr. **Owen**. Well, just apply the same reasoning there that the Supreme Court has applied in the recent steel trust decision, contrasting it with the Standard Oil. They seemed to be swayed there by other conditions than the letter of the law, and I think that in deciding what business should be controlled, that would have to be arrived at very much as the Supreme Court decided that the steel trust was not a trust and that the Standard Oil was. I do not know why, if the Supreme Court is to split hairs on a definite proposition, you should ask me how far we should go on this licensing of business. I think I should have to do just as the Supreme Court did—decline to pass on that.

Mr. **Weld**. Then it is up to Congress apparently, in your opinion, to begin a selective process in deciding what industries should be regulated and what should not be regulated.

Mr. **Owen**. That seems to be the tendency; the trend of the times.

Mr. **Weld**. To answer my question then, you would be in favor of singling out this one industry for regulations and not applying it to other industries?

Mr. **Owen**. Yes; at present.

Mr. **Marsh**. Do you think that because the packers object to pending legislation and talk about what will happen in the next 100 years that is any reason why this big monopoly should not be controlled by legislation to be promptly enacted by Congress? Should we not take action on this pending proposition and handle other things as they come up later?

Mr. **Owen**. That would be my idea.

Mr. **Weld**. Of course, the gentleman's question implies that he believes he has some justification for the use of word "monopoly."

Mr. **Marsh**. I will assume the justification on the basis of the facts already shown, Mr. Weld.

Mr. **Weld**. You said awhile ago that we had not been prosecuted and no results had been achieved. Did you know we had been prosecuted in 1912 and the verdict was "not guilty?"

Mr. **Owen**. Oh, yes.

Mr. **Weld**. A jury trial. I suppose you attribute that to the fact the packers are bigger than the Government?

Mr. **Owen**. Well, I do not know but what it might have been true in 1912. That might have been the basis of that statement that was made in 1919.

Mr. **Weld**. Do you mean to insinuate now that probably the Supreme Court decided on that case and did not decide according to the facts?

Mr. **Owen**. Well, it probably did, yes—that is, according to the law. My understanding is the Supreme Court does not pass upon facts.

Mr. **Weld**. I should not have said the Supreme Court; it was a jury trial.

Mr. **McLaughlin** of Michigan. It is always interesting in these matters to know how a big dealer treats the smaller ones. Do you know anything about the treatment of the small packers by the big packers?

Mr. **Owen**. Why, as far as Minnesota is concerned, they seem to buy them out as fast as they begin to really get dangerous in any awy.

Mr. **McLaughlin** of Michigan. How many purchases of that kind do you know of having been made in recent years?

Mr. **Owen**. Well, Hormel, down at Austin.

Mr. **Weld**. He has been bought by one of the large packers? You know that to be the case, do you?

Mr. **Owen**. Well, that is the talk; I have never seen the papers.

Mr. **McLaughlin** of Michigan. That case has been spoken of here. Do you know of others?

Mr. **Owen**. Well, of my own personal knowledge, no. I have never investigated it, but I suppose it has been.

The **Chairman**. Do you have reference to Hormel at Austin or at Albert Lea?

Mr. **Owen**. Albert Lea, yes.

Mr. **Weld**. Was that Hormel?

Mr. **Owen**. No; that was not Hormel. Hormel is at Austin is he not?

The **Chairman**. I think the plant was started by Brunswick Bros., and after that was operated by Hormel, and after that by the citizens at Albert Lea. It is the citizens at Albert Lea that own the plant.

Mr. McLaughlin of Michigan. What other purchases have been made under such circumstances as you think justify that statement that they have been bought up when they became dangerous? You know there are such cases but can not give the names?

Mr. Owen. I can not just now.

Mr. Weld. There have been in Minnesota?

Mr. Owen. Yes.

Mr. McLaughlin of Michigan. And after the purchase were the plants operated by the purchaser?

Mr. Owen. Oh, yes; they were operated; they are still in operation.

Mr. McLaughlin of Michigan. Is there any connection that you know of between the stockyards and the packing business at St. Paul and the packers in Chicago—the big five?

Mr. Owen. Any connection?

Mr. McLaughlin. Yes; of ownership or control or operation?

Mr. Owen. Why, no; of my own first-hand personal knowledge I can not say. I do not know.

Mr. McLaughlin of Michigan. Is it rumored that there is such a combination, or a combination of some kind?

Mr. Owen. Between the stockyards and the packers at Chicago? Of course, Armour has a large plant at South St. Paul.

Mr. McLaughlin of Michigan. There is an independent company there, too, is there not?

Mr. Owen. A packing company?

Mr. McLaughlin of Michigan. Yes.

Mr. Owen. Yes.

Mr. McLaughlin of Michigan. Is it really independent, or have some of the large packers an interest in it?

Mr. Owen. I do not know; that is a difficult matter for an outsider to ascertain.

Mr. McLaughlin of Michigan. I did not know whether it existed or not.

Mr. Weld. You would find it in the Federal Trade Commission's report if it were so.

Mr. McLaughlin of Michigan. Do you know of any complaint that the smaller ones have to make?

Mr. Owen. No.

The Chairman. I would like to ask what the railroad commission did in Minnesota. Can you give us that more in detail?

Mr. Owen. Why, I have not the figures for more than the first five months of the control there. They put in force lower prices for feed, and they installed small scales for weighing sheep and veal.

The Chairman. For the protection of the shipper?

Mr. Owen. For the protection of the shipper; yes.

The Chairman. That protects the shipper at St. Paul, but it gives him no protection at Chicago, does it?

Mr. Owen. Oh, no.

The Chairman. If any supervision is necessary at St. Paul, it is also necessary in other markets, is it not?

Mr. Owen. I am simply saying what is the result up there. Whether it would have the same result at Chicago, Omaha, or St. Joe I do not know.

The **Chairman**. Then legislation is necessary, either by regulation or specific legislation, for the protection of the shippers? Is that your contention?

Mr. **Owen**. Yes; it worked out very well in that case.

The **Chairman**. Your State is quite a dairy State. What have you to say about the dairy products—butter, cheese, eggs, and poultry?

Mr. **Owen**. I believe it would be a good thing for the dairy industry if the packers would get out of that particular line. I have not time to go into that now, because I have got to catch my train.

The **Chairman**. Do you think that is the general sentiment of the people out there?

Mr. **Owen**. That is the sentiment of the dairy council there, of which Mr. Farrell is president.

The **Chairman**. You think that expresses the sentiment generally of the dairy people?

Mr. **Owen**. I think so. My suggestion is that you would find Mr. J. J. Farrell a good witness to come before this committee on that very point.

The **Chairman**. I have Mr. Farrell's viwepoint, I wanted to find out the general sentiments. Has he expressed the general sentiment of the dairy people in your section of the country—our section of the country?

Mr. **Owen**. I should think so; yes.

Mr. **Weld**. You would be in favor of giving this commission power to say that we shall not handle butter, eggs, and poultry?

Mr. **Owen**. Yes.

The **Chairman**. You mean you would be in favor of legislation that would bring that about?

Mr. **Owen**. Yes, sir.

The **Chairman**. Especially if there appeared to be a monopoly of dairy products.

Mr. **Owen**. Yes, sir.

The **Chairman**. As well as of groceries?

Mr. **Owen**. Yes, sir.

The **Chairman**. There is, of course, some difference of opinion as to how it should be done, whether by regulation or specific legislation. I believe that is all.

Mr. **Marsh**. One final question. Do you find that the producers are well satisfied with your Minnesota commission and its operation?

Mr. **Owen**. Yes, sir.

The **Chairman**. We are very grateful to you, Mr. Owen. The committee will stand in recess until 10 o'clock to-morrow morning.

(Thereupon, at 5.50 o'clock p. m., the committee adjourned to meet at 10 o'clock a. m., to-morrow, Tuesday, March 23, 1920.)

X

MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

TUESDAY, MARCH 23, 1920

PART 24

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COMMITTEE ON AGRICULTURE.

House of Representatives.

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H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. Haugen, *Clerk*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Tuesday, March 23, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Are you ready to go on, Mr. Rainey?

Mr. RAINEY. Yes, sir. Mr. Weld, are you ready to proceed?

Mr. WELD. Yes, sir.

The CHAIRMAN. Are you ready to go on, Mr. Weld?

Mr. WELD. Yes, Mr. Chairman.

STATEMENT OF MR. L. D. H. WELD, MANAGER, COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO. ILL.—Resumed.

The CHAIRMAN. I think when we closed we were discussing profiteering yesterday. Are there any more questions to be asked in regard to that?

Mr. WELD. I had planned to take up that question of profits a little more formally later on.

The CHAIRMAN. Later on?

Mr. WELD. Yes, sir; I was planning to do that. I think there will be some other things, but just suit your convenience.

The CHAIRMAN. I want to ask you a few questions whenever you are ready to discuss that matter.

Mr. WELD. All right; I will come back.

The CHAIRMAN. Mr. Young, you were asking some questions about cotton; are you through?

Mr. YOUNG. Yes, sir; I have finished.

The CHAIRMAN. Are there any other questions on the subject that we were discussing? Mr. Marsh, did you want to ask any questions?

Mr. MARSH. I want to ask some questions on profits later.

The CHAIRMAN. Then you may proceed, Mr. Weld.

Mr. WELD. In connection with the Federal Trade Commission's report, I want to call attention to the list of commodities handled by the packers reported in Part 1 of the Federal Trade Commission's report, pages 96 to 102.

The CHAIRMAN. Just a moment. I think Mr. Chaplin has a report that he wants to file with the committee.

Mr. CHAPLIN. I will file that later.

The CHAIRMAN. All right.

Mr. WELD. There are listed on these pages some 639 commodities that it is said the packers handle. My only point in bringing this up is that by making out a list in this way it gives an entirely exaggerated idea of the number of commodities handled by the packers. In the first place, of these 639 commodities listed over half of them are meats and meat products, and over 70 in this list are supplies which Swift & Co. purchases for its own use and through bookkeeping devices transfers from central headquarters to various plants and branch houses and which are not sold to the outside at all. This list contains many ridiculous duplications such as "sardines" and "canned sardines," they both appear in the list; "flour" and "wheat flour" both appear in this list, and "pork chitterlings" and "chitterlings," which are the same things, appear as two separate items in this list.

Mr. Marsh. May I ask a question?

Mr. Weld. Just as soon as I get through with this point you can ask questions on it.

The Trade Commission list also includes beef tongue, tongue fresh, tongue cured, and so forth, as separate items. Of course, using that same method of listing the commodities it might have added under "tongue," trimmed tongue, untrimmed tongue, and so forth. That would have helped them out considerably in swelling the list. The idea seems to have been to make as long a list as possible. You will find in the list 37 items under the head of sausage. There is sausage, dry sausage, sausage meat, and so forth. That includes 37 items. It also includes this item: "Brass castings for recoil mechanism in heavy ordnance." That is a product outside of the packing business, in which an official of one of the packers owns a little stock. Of course, many hundred commodities might have been added on this same basis.

The Federal Trade Commission tries to defend itself in putting in this long list of commodities by saying that it was compiled from the price lists of the packers. That is undoubtedly true. Probably the list is technically correct, but the only possible reason for putting in such a list was to grossly exaggerate the number of commodities handled by the packers, and I hold that it is not a reliable list at all to give a definite idea of the products handled by the packers.

Are there any questions on that point?

Mr. Young. If this list has been too much extended, continuing such an item as the tongue item, for instance, I will ask you what your statement would be as to the commodities that are really handled?

Mr. Weld. Well, of course, in the first place, all products that are meat products or animal by-products, I think, I would have listed and subsequently, if I were called on for a complete list of the commodities handled—these are strictly packing-house products.

Mr. Young. That part I do not care so much about.

Mr. Weld. That is a part of this list.

Mr. Young. But the outside products that are not?

Mr. Weld. Speaking only for Swift & Co., if I were asked to enumerate what Swift & Co. handles outside of the meat products and animal by-products, I would say that it handled canned goods, which includes both canned meats and canned fruits and vegetables.

Mr. Anderson. And fish?

Mr. Weld. Yes, sir. Of course, we could list any number of items under canned fruits and vegetables. They are all listed here. We consider that as one class of commodities that we handle. Then we handle lard and butter substitutes and cottonseed oil, which are not strictly packing-house products or by-products. We handle a little dry and salt fish. Anything else?

Mr. CHAPLIN. Eggs.

Mr. WELD. Butter, eggs, cheese, and poultry produce.

Mr. YOUNG. You do not handle wheat?

Mr. WELD. No, sir. The different packers vary in the commodities. That, of course, is not brought out by the Federal Trade Commission's list. Armour has gone much further than any other packer in handling cereals, rice, and coffee.

Mr. YOUNG. The Federal Trade Commission when they are dealing with the five packers, it may be that your concern would not handle some of these items and other concerns would handle them?

Mr. WELD. Yes, sir.

Mr. YOUNG. When they are making a list they probably do not differentiate, and if they find that any of the five packers handle them, of course in making up the list, as it were, it would be fair for them to say that?

Mr. WELD. In the first place, they should have differentiated some between the different packers, but even in making up a combined list of all the packers I do not think that these duplications such as "sardines" and "canned sardines," and so forth, should appear, things of that sort, and supplies like brick, cement, and so forth, that we buy only for our own use. I do not think those should have been included in the list without, at least, some word of explanation, bought for their own use and not sold to outsiders, and even though possibly one or two packers may occasionally sell some of that stuff to the outside, they are not in the regular business, and it gives a totally wrong impression as to the number of commodities handled. My thought is that this gives a vastly exaggerated notion of the number of commodities handled by the packers, regularly handled by the packers.

Mr. ANDERSON. As a matter of fact, the report of the Federal Trade Commission was deficient as to a considerable number of articles handled by some members of the Big Five?

Mr. WELD. I just said that they could have added a great many more, following out this same method of listing commodities.

Mr. ANDERSON. For instance, they did not make any reference to Wilson & Co.'s sporting goods line.

Mr. WELD. No; I do not think it would have been fair to include them. They are not sold by the packing house, they are not sold through the selling organization of the packing house. Mr. Wilson is interested in practically an outside business.

Mr. ANDERSON. It does not include a great many of the Armour products?

Mr. WELD. I doubt if any of those have been overlooked. They have each item listed under canned goods, condiments, and so forth.

Mr. ANDERSON. Are all of the 138 products, more or less, specified in the consent decree, handled by one or the other of the Big Five?

Mr. WELD. I do not know. I think they probably are.

The CHAIRMAN. There are about 200; I just counted them.

Mr. ANDERSON. What I am getting at is whether this decree intends only to prohibit the Big Five from engaging in outside lines in which they are now engaged or whether it was intended to go beyond that and prohibit them from engaging in, for instance, wholesale groceries without reference to whether they are now engaged in those lines or not?

Mr. WELD. I think that the object was to have them restrained from selling commodities in which they now deal rather than to take any precaution for the future with regard to commodities that they might handle. I am not entirely clear on that point, but I think that the basis of the decree was on the commodities now handled. This just gives an exaggerated idea of the products handled by the packers.

Mr. ANDERSON. You may be right about that, but as far as Wilson & Co. are concerned the report shows that Wilson & Co. owns 100 per cent of the stock of the Wilson & Co. sporting goods concern, and whether or not it is an outside business, the stock is owned by the packing corporation?

Mr. WELD. I do not know, but it is run as an entirely separate business and in no sense can it be considered that the Wilson Packing Co. handles these goods.

Mr. ANDERSON. Of course, it is not a competitive product at all.

Mr. YOUNG. I should like to ask you a question on that point. As a matter of policy do you think that it is good public policy for a packer like Wilson, engaged in the packing business, to take funds from that packing business and absorb the stock of a wholly different concern? What is this particular business, sporting goods?

Mr. ANDERSON. Yes, sir.

Mr. YOUNG. And absorb all the stock of another concern?

Mr. WELD. Of course, there again is a question of public policy and one that we can not very well reach by law. Of course, the same question would arise in regard to a great many other businesses and corporations. As I said yesterday in connection with the cotton oil business, possibly, on account of the feeling and prejudice, it is a mistake. On the other hand, I can not see any possible reason why Mr. Wilson or Wilson & Co. should not own stock in another business, if they see their way clear to run that business efficiently, and if they can run it efficiently I do not see why that is not a public benefit.

Mr. CHAPLIN. This business, as you understand, uses the products of Wilson & Co.'s manufacture, catgut and things of that kind.

Mr. WELD. There is some slight reason along that line for being in that business, as they do use some of the by-products of the live-stock industry, the packing industry.

Mr. ANDERSON. I understand that their list includes something over 400 products, and if there is not some connection with the packing industry it would be rather strange?

Mr. WELD. Not necessarily.

Mr. ANDERSON. Considering the very remarkable list of by-products which originate in the live animal?

Mr. WELD. Of course, if they carry any of the things used in the form of sporting goods, you could not do that successfully, without regulating their sporting goods too.

Mr. TINCHER. If Wilson & Co. or the packing house owns 100 per cent of the stock of the sporting-goods business, would it be proper to say that they were really engaged in the business?

Mr. WELD. Not as a part of their packing business.

Mr. TINCHER. I do not know, but I can not see the distinction. If I own a sporting-goods house and own a packing house, I do not see how you could say that I was not engaged in the sporting-goods business and the packing business?

Mr. **Weld**. As I say, the sporting-goods business is not run as a part of the packing-house business.

Mr. **Tincher**. I do not get your meaning.

Mr. **Weld**. It has an entirely different organization, different people, different selling organization and everything.

Mr. **Tincher**. But the one organization owns 100 per cent of the stock of the other organization?

Mr. **Weld**. Yes, sir.

Mr. **Tincher**. When one organization owns 100 per cent of the stock of another organization—of course they have a different class of employees to sell baseballs from those who sell hamburg—I do not see how you can say that they do not run the business and control the business.

Mr. **Weld**. That is true; they do own it.

Mr. **Tincher**. Would you object to the use of the word "control?"

Mr. **Weld**. I do not object to saying that Wilson & Co. control the sporting-goods business; certainly not.

Mr. **Marsh**. Have not the packers tried to get control of a good many substitutes for meat?

Mr. **Weld**. No, sir; there has been no attempt to get control of substitutes for meat.

Mr. **Marsh**. Have not the packers gone into handling a great many substitutes for meat?

Mr. **Weld**. Yes, sir; they have gone into the handling of foodstuffs that might be considered substitutes for meat.

Mr. **Marsh**. It would give them a big influence and control over American farmers if they could reach such a "noncollusive" percentage of farm products which are substitutes for meat as they have in buying live stock, wouldn't it?

Mr. **Weld**. If they handled a certain percentage of the output of such things as butter, eggs, cheese, and poultry, then they might have some power of control over the price, but such is not the case.

Mr. **Marsh**. As an economist I think you will agree that the farmers are justified in apprehension, when there are such percentages as to live stock, that a similar end may be the purpose of the packers in getting into substitutes for meat?

Mr. **Weld**. If the farmers have any apprehension on that score, it is because they entirely misunderstand the situation and do not realize the reasons why the packers have handled these other products and the benefits that have accrued to both the producers and consumers from the fact that the packers have handled these other products. That is a matter that I want to discuss more in detail a little later on; at least, I have planned to. I have something to say on that point.

Mr. **Marsh**. Did the packers go into the handling of fertilizer purely for eleemosynary purposes?

Mr. **Weld**. No, sir; but because it is a by-product of the packing business.

Mr. **Marsh**. All of these by-product side lines were taken up because the big packing business was not as profitable as operating on a small scale?

Mr. Weld. No; that is not the answer.

Mr. Marsh. What was the purpose of going into it?

Mr. Weld. The purpose of going into the by-products of the packing industry?

Mr. Marsh. Yes, sir; into those side lines, fertilizer, rice, etc.?

Mr. Weld. Fertilizer and rice, you want those together—because fertilizer is a distinct by-product of the packing industry and rice is not. I plan to go into that more in detail, especially one thing, the proposed bill giving the commission power over that, and I would rather not go into the explanation of it now. I will just say, in regard to such products as fertilizer, which are by-products of the meat animal industry, that we have gone into those for the simple reason that we were in a particularly good position to utilize those by-products and continue the manufacturing process with respect to those by-products, and we could do it better than by selling them to the outside. With respect to such products as butter, eggs, cheese, and poultry, we have gone into those to better utilize our selling organization, distributing our overhead over a greater volume of goods. That I would not care to go into further at the present time, because I have planned to take it up later.

Mr. Anderson. Was it not because you were making so much money that you had to find some place to invest it?

Mr. Weld. No, sir.

Mr. Anderson. And you invested it where it would do the most good?

Mr. Weld. Our experience has been that we have never had any surplus money to invest in that way. I know that has been alleged or insinuated by the Federal Trade Commission; that is absolutely absurd.

Mr. Chaplin. We have always been the heaviest borrower of money in the United States.

Mr. Anderson. That does not indicate anything. Where you are doing an enormous business it can be done much more cheaply on borrowed money than on invested capital?

Mr. Chaplin. Yes, sir; but there is a greater amount of risk.

Mr. Anderson. Of course, it would be perfectly absurd for a packing concern to undertake to do all of its buying operations on permanent capital?

Mr. Chaplin. It would be much better if we could do more of it on permanent capital.

Mr. Marsh. May I suggest this, that the profit on net worth, capital stock and surplus, beginning on January, 1917, was 33.4 per cent for Swift & Company. You do not earn all that with borrowed capital?

Mr. Weld. That is on the capital stock; that is about 21 per cent.

Mr. Marsh. According to the report on net worth, capitalization and surplus.

Mr. Weld. As I remember, $34,000.000.

Mr. Anderson. That is 33 per cent.

Mr. Weld. That is before the taxes are taken out?

Mr. Anderson. That includes the taxes.

Mr. Weld. $10,000,000 or $12,000,000 in taxes had to be taken out. That may be correct then before the taxes are deducted.

Mr. **Marsh.** Of course we are looking ahead and you would not pay anything like 33.4 per cent on borrowed capital?

Mr. **Chaplin.** Yes; but you have trouble to borrow the money.

Mr. **Weld.** If there was any money there that could be put into side business; that is all paper profits on the books that we knew we would not eventually have, that we would have losses on the declining inventory that would more than offset that and it has actually come about.

Mr. **Chaplin.** These are merely figures in a book, not money in the bank.

Mr. **Weld.** We had to borrow money to pay dividends and taxes.

Mr. **Marsh.** Just short loans?

Mr. **Weld.** Short time loans.

Mr. **Chaplin.** Which have to be renewed.

Mr. **Weld.** Which are renewed from week to week.

Mr. **Marsh.** If I may I will take up this question later.

Mr. **Anderson.** I want to know if what you consider profit is what you actually pay out in dividends?

Mr. **Chaplin.** Not at all, but there is such a thing as paper profits, because they are never realized. If a farmer has 100 steers that are worth at the beginning of the year $10,000 and at the end they are worth $15,000 and he still has the steers, he can think that he has made $5,000 profit, but he only realizes that profit in cash if he sells them. Until that time it is a profit only on paper.

Mr. **Anderson.** You do not mean to say that any of the $34,000,000 is comparable to that sort of increment?

Mr. **Chaplin.** Absolutely the same. If he holds those steers that went up from $10,000 to $15,000 until they again decline to $10,000 he is just exactly where he started from; in his mind, when they went up to $15,000, he made $5,000, and when they went down to $10,000 again he lost the profit he made on paper.

Mr. **Anderson.** What does your inventory show as the increase in 1918 as compared with 1917?

Mr. **Chaplin.** As I remember, our investment has grown from about $60,000,000 or $70,000,000 before the war to nearly $200,000,000. The quantity of goods on hand has not increased very much. In other words, we have got about the same goods on hand, but they stand us on the books two or three times as much.

Mr. **Anderson.** You certainly do not mean to say that the amount of goods on hand has increased in value more than 100 per cent?

Mr. **Chaplin.** Yes; I say that.

Mr. **Anderson.** Without yielding any profit in the process?

Mr. **Chaplin.** Any cash profit?

Mr. **Anderson.** Yes, sir.

Mr. **Chaplin.** That is true; without any cash profit.

Mr. **Anderson.** You will have a lot of demonstrating to do to prove that.

Mr. **Chaplin.** That is a fact.

Mr. **Marsh.** May I suggest that Messrs. Chase & Tator, the Federal Trade Commission's accountants, can give you some side lights on the methods of keeping accounts and that they can explain a lot of these facts that Mr. Weld has referred to?

Mr. WELD. I will be glad to submit an analysis of Mr. Chase's figures and the results of his statements on this matter if you want to go into that.

The CHAIRMAN. I understood that you preferred to discuss the subject of profits later on?

Mr. WELD. I am planning to come back and discuss that subject more definitely later on.

The CHAIRMAN. You may proceed.

Mr. WELD. In connection with this handling of other products it has been frequently stated that we were driving the wholesale grocers out of business. I obtained the best estimate that it was possible to obtain as to the total grocery business of the country; it is around $3,000,000,000, and I found that the wholesale grocery business of the five large packers was not in excess of about 3 per cent of the total grocery business. Of course, the percentage would be larger if certain commodities, especially if you considered cheese a wholesale grocery product, the percentage would be much larger in that case, but the percentage handled by the five large packers is only about 3 per cent of the total, which indicates that there is not very great danger of driving the wholesale grocers out of business.

Mr. MCLAUGHLIN of Michigan. What is the figure which you gave for the wholesale grocers?

Mr. WELD. About three billion dollars.

Mr. MCLAUGHLIN of Michigan. What is that money?

Mr. WELD. That is their sales now.

Mr. MCLAUGHLIN of Michigan. Their sales?

Mr. WELD. Yes, sir; their annual sales, their annual sales for 1918. Of course, that 3 per cent we have agreed to give up handling through the consent decree.

There is one other point in connection with the Federal Trade Commission's investigation that I want to call your attention to, and that is the one-sided character of the investigation which is discussed on pages 6 to 9 of Swift & Company's Analysis and Criticisms. In this it is explained that:

"This one-sided character of the investigation was evident from the manner in which public hearings were held. In the first place, the commission employed the services of an attorney who had gained his reputation as a prosecuting attorney, and who at once began to perform in practically that capacity for the commission. At the hearings there were produced witnesses who had been sought out by the Federal Trade Commission, who testified against the packers. The packers were not permitted, however, through legal counsel to cross-examine such prejudiced witnesses. They could not produce witnesses who, through cross-examination, would controvert evidence of prejudiced witnesses, and they could not cross-examine witnesses of their own to substantiate the facts which they might have produced. It is true that representatives of the packers might have appeared at these hearings, but since they would have been subject to cross-examination by a hostile attorney, and since they had no right of cross-examining witnesses themselves or through counsel, they naturally did not care to submit to any such unjust procedure."

Mr. MCLAUGHLIN of Michigan. Why were they not?

Mr. WELD. I will quote from a statement made by Mr. Francis J. Heney, attorney for the Trade Commission, in public hearings at

Boston on December 28, 1917. Commissioner Murdock was apparently in the chair. He said:

> This meeting will come to order. This is a hearing held by the Federal Trade Commission under the direction of the President of the United States, and the authority of Congress, in an inquiry into the food products of the country, and the high cost of living.
>
> Proceed, Mr. Heney.

Mr. Heney said:

> Mr. Commissioner, I should like to ask for an order at this time excluding all witnesses from the room with the exception of the witness who is being examined, following the same policy we followed in Washington at the commencement of the hearings.
>
> Commissioner Murdock. That order will be made.
>
> Mr. Heney. I think it might be well for me to state for the benefit of the members of the press that this investigation is not a trial in which any parties are defendants and thereby entitled to appear by attorney. It is an investigation into the economic conditions, as well as practices that may be prevailing, and it is ex parte, and while the commission will be glad to hear any witness who presents himself here, no one comes here with the right to be represented by attorneys, with right to put on witnesses, because there is no investigation of that sort being conducted.

Mr. McLaughlin of Michigan. Were their attorneys there requesting an opportunity to take part?

Mr. Weld. We did make such request in one or two instances, but this was early in the hearings and this announcement of Mr. Heney showed the character of the investigation. It is true that we might have appeared at these hearings as witnesses, but since they would have been subject to cross-examination by a hostile attorney and since we had no right to cross-examine witnesses ourselves or through counsel, we naturally did not care to submit ourselves to that procedure.

Mr. McLaughlin of Michigan. Previously to that time had you appeared with the purpose of cross-examining witnesses?

Mr. Weld. I do not think we had. The hearings had only started here in Washington.

Mr. McLaughlin of Michigan. Were you present at the time that the order was made which you have read?

Mr. Weld. Was I personally present?

Mr. McLaughlin of Michigan. Were the packers represented?

Mr. Weld. I do not know. I do not think they were.

Mr. McLaughlin of Michigan. Did they take any notice of the order except to obey it; did they protest and try to have it set aside or modified?

Mr. Weld. I do not think so. There were one or two cases in which interested parties voluntarily took the stand and, I think, applied for permission to do some cross-examining.

Mr. McLaughlin of Michigan. How long did that order stand; how long did it remain in force?

Mr. Weld. We really made no attempt to have it overruled or changed and it lasted through all of the public hearings of the commission.

Mr. Anderson. As a matter of fact, is not that the general practice of the Federal Trade Commission—the same as in these hearings—their investigations are all ex parte up to the point where the charge is actually made before the commission, so that the matter becomes a matter of trial?

Mr. **Weld**. I am not sure but that is correct. I am merely calling attention to the fact that the hearings were ex parte, and, furthermore, that throughout the hearings the only attempt was to bring out one side of this question.

Mr. **Anderson**. There was never any refusal to hear any witness who wanted to present evidence, was there?

Mr. **Weld**. As I just explained, we did not present ourselves at the hearings because we knew how the thing was being conducted, and we did not care to subject ourselves to that kind of an investigation.

Mr. **Tincher**. That is what Mr. Heney complained of, that you would not present yourselves?

Mr. **Weld**. I do not remember that he ever said any such thing.

Mr. **Tincher**. I think I am right, that he had quite a time to get an opportunity to examine the books?

Mr. **Weld**. Oh, no. We were at his or anybody else's call at any moment; anybody who wanted to know anything about the industry; but they took stuff from our files, without asking explanations about the material they took, and even though we voluntarily gave them explanations in many cases they put their own interpretation on it without giving our side of the thing at all.

Mr. **Tincher**. Was there not some instance in which they really stole some papers, broke into a vault and took some papers?

Mr. **Chaplin**. Yes, sir; in violation of the law.

Mr. **Weld**. The original papers that have never been returned.

Mr. **Tincher**. I remember seeing some of them published.

Mr. **Weld**. Yes; some were published.

Mr. **Tincher**. That was because you would not give them the papers?

Mr. **Weld**. No; they had free access to everything.

Mr. **Tincher**. Why did they give publicity about stealing some papers? I do not quite understand that. What was the necessity of breaking into some room or vault?

Mr. **Weld**. You are probably thinking of Mr. Veeder's office and his vault. After they had free access to Swift & Co.'s files they tried to get into Mr. Veeder's office. If you want to go into that, of course, Mr. Veeder would be the better man and he will be back here. They attempted to go into Mr. Veeder's files and he naturally objected. Mr. Veeder has other clients than Swift & Co. He stood on his constitutional rights to prevent them from going into his private files. Without going into detail, he was upheld by the court in his position on the case. He furthermore said that the Federal Trade Commission could have such documents as applied to this particular client and he gave them access to those documents after the court had established Mr. Veeder's position in that respect.

Mr. **Marsh**. Is it not true that some of the packer members wished to testify so they did not have to waive immunity?

Mr. **Weld**. I do not remember that that was the case.

Mr. **Anderson**. Was not Mr. Borders subpœnaed and did he not claim immunity when subpoenaed?

Mr. **Weld**. I do not know about that. They had plenty of opportunity to get information without granting immunity if they cared to do so.

Mr. MARSH. From your experience, are we to understand that you prefer a criminal prosecution in these ex parte investigations?

Mr. WELD. In the case of an investigating commission like the Federal Trade Commission I think the country is entitled to an impartial, scientific investigation of the facts, and if we are found guilty I believe that we should be prosecuted. Does that answer your question?

Mr. MARSH. Do you not think that the public realizes that there is something more fundamental involved than the breaking of laws, to wit, a system which has to be changed by legislation to protect the American people?

Mr. WELD. I do not just see the connection.

Mr. MARSH. I was asking you which you preferred.

Mr. WELD. I prefer in the case of an investigation by a governmental commission like the Federal Trade Commission a scientific impartial investigation rather than to attempt to get at only one side, discoloring everything it touches, which results in wrong conclusions such as are found all the way through the Federal Trade Commission's report.

Mr. MARSH. The large packers want to abolish the Federal Trade Commission?

Mr. WELD. No. I believe—I do not know whether I should say this officially or not, but it is my feeling and I think the feeling of most of my colleagues—that it is all right to have some such commission over all industries to prevent unfair competition, etc., which the Federal Trade Commission was supposed to prevent. We might, however, desire, perhaps, a little different personnel and, perhaps, men of business experience, possibly a larger commission, possibly the payment of higher salaries so as to get big experienced men, and possibly have its powers a little more clearly defined than defined in the present Federal Trade Commission's laws.

Mr. TINCHER. Why not have a commission that knows something about the business, such as is suggested by this legislation which would be fair and impartial, big enough and give them enough salaries to justify big men in accepting these positions and stop all of this commotion that we have here and which would prevent reorganizations, consent decrees, etc.?

Mr. WELD. It is unfortunate that we have to keep up such a fight because of the unfair accusations that are made against our industry.

Mr. TINCHER. You are in favor of a commission for most everybody else, except one which would have any direct bearing upon the packers?

Mr. WELD. Any commission that has discretionary power to practically make laws of its own to single out our industry, if such a Government commission were put in charge of our industry we certainly feel that it would be a very grievous mistake, both to ourselves and to the country, to establish any such commission and give them discretionary power over our industry.

Mr. TINCHER. You object to the personnel of the Federal Trade Commission as it has been constituted—I take it from your remarks that you do not think they are big enough in a business way, experienced enough?

Mr. WELD. I think it is fair to say that.

Mr. **Marsh**. The farmers of America, as far as I know, with the exception of possibly the Federation of Farm Bureaus, believe that the Federal Trade Commission is properly constituted and is conspicuously serving the public.

Mr. **Weld**. Of course, that means anybody that indorses the Federal Trade Commission as at present constituted indorses all this one-sided kind of investigation, the suppression of data, the presentation of a matter in such an extremely unfair way as that was presented—anybody who wants to indorse that kind of an investigation should go ahead and indorse it; we do not.

Mr. **Anderson**. I understand you to say that the packers under investigation did not offer any testimony voluntarily.

Mr. **Weld**. They did not in those hearings; no, sir.

Mr. **Anderson**. If that is true, the only way that the commission could get the testimony of the employees or officers of the various packing corporations would be by subpœna. That is true?

Mr. **Weld**. No; it is not true. They could have gotten all the information there is about our business without any subpœna. We were right in the office all the time. In fact, they did get information which it took our people some time to compile, but they never used it, and they put their own individual interpretation on the things they got without using the information which they actually did get from us. They lived in our office for months.

Mr. **Anderson**. You did not offer voluntarily any testimony at the hearings?

Mr. **Weld**. Not in those hearings; no, sir.

Mr. **Anderson**. If they had subpœnaed the heads of the concerns and they had given testimony, the effect of their doing that would have been to give the heads of those concerns immunity?

Mr. **Weld**. I think so.

Mr. **Anderson**. In matters as to which they testified and which might be the basis of prosecution?

Mr. **Weld**. I think that is the Federal Trade Commission law; yes, sir. As I said before, they could have gotten all kinds of information about our business and about the stuff which they took out of the files without a subpœna and without granting any immunity. In fact, they did get a great amount of information from our office.

Mr. **Anderson**. They could have gotten such information as you were willing to give?

Mr. **Weld**. Information that they could have themselves checked up and found to be authentic.

Mr. **Anderson**. The only information they could have obtained from you under the circumstances was information that you were perfectly willing to give.

Mr. **Weld**. We were perfectly willing to give any information about the business, because we have nothing to hide; our books are open.

Mr. **Anderson**. But you were not willing to give that under cross-examination, where the entire matter could have been gone into, the portion which you were willing to give and the portion you were not willing to give?

Mr. **Weld**. The entire matter could not have been gone into by the cross-examination of Mr. Heney alone.

Mr. **Anderson**. Mr. Heney never, so far as I have been able to read the testimony, refused any witness before the commission or who came before the Senate committee an opportunity to explain any answer that he made in any way.

Mr. **Weld**. We did not care to enter into those hearings, conducted as they were.

Mr. **Anderson**. You are objecting to the power on the part of the commission to make rules and regulations on the ground that you can not know in advance what you will be required to do?

Mr. **Weld**. What commission?

Mr. **Anderson**. The commission which is provided for in the Senate bill, for instance. I understand you to object to the commission to regulate the live-stock industry, with the power to make regulations, on the ground that you can not know in advance what you will be required to do under those regulations?

Mr. **Weld**. I do not know that I would put it exactly that way.

Mr. **Anderson**. Put it in your own way; I do not want to put any words in your mouth.

Mr. **Weld**. With the power to pass such rules and regulations, under sweeping orders, as provided in this proposed legislation, we object to.

Mr. **Anderson**. You feel, I take it, that if legislation is to be passed it should definitely prohibit the things which the Congress thought ought not to be done?

Mr. **Weld**. If there is to be any legislation at all; yes, sir. I consider that that should be the way. If you can find any specific abuses not already covered by law, then pass legislation to cure them.

Mr. **Anderson**. Do you think that it is possible for Congress to pass legislation and to fill in all of the details so as to prohibit every act which it is intended to make unlawful?

Mr. **Weld**. Not necessarily every act. There are things, for example, in the Federal Trade Commission law that it was impossible to define when that law was passed. I think that we are in a better position to define some of those things now, but when you can begin to point to some specific things that we are doing that are wrong, if there are any things that we are doing that are not in consonance with the present law, of course, in that case I think you should prosecute, and if there are other things not covered by law, then pass laws to prevent us from doing such things, from handling butter, eggs, cheese, etc., then go ahead and pass it if you think it is for the best interests of the Nation.

Mr. **Anderson**. Well, the very purpose of permitting a commission to make rules and regulations is to make definite the details of a law which must be left indefinite; isn't that true? For instance, under the pure-food law we did not say that it should be unlawful to put benzoate of soda in food; we simply stated it would be unlawful to ship adulterated food in interstate commerce. We did not undertake to define, except in general language, what adulterated food was. We left that to be covered by regulations. Clearly it is in the interest of the industry that you should have a commission which can make these general prohibitions of the law definite; that you should have a commission which could make these matters more definite than they would otherwise be; isn't that true?

Mr. **Weld**. I will grant that if you can find definite things that need be cured, that should be regulated on a specific basis, it might be necessary to have a commission to carry those things out. But in this case, in the first place, the provisions of laws that have been suggested are all covered now by other laws. You can not point to a specific thing that needs to be done. And there will be very great danger in giving to a commission any power over private industry such as ours to interpret in any different way or broader way the laws we already have or the specific provisions of this law.

Of course, gentlemen of the committee, I plan to go into that matter more in detail later on, but I do not care if we go into it now.

Mr. **Anderson**. Your position rests finally upon the proposition that there is nothing in the conduct of the packing industry to either necessitate or justify any further regulation?

Mr. **Weld**. I say, in the first place, that the abuses we are accused of by the Federal Trade Commission do not exist. If they did exist they would already be covered by law. Furthermore, to repeat these laws in a different form, and to give a commission power over our complicated industry would give a very dangerous power over the industry, an industry which is now operated on extremely fine margins and requires and has complicated machinery. It would take only the least bit of mistake or jugglery on the part of a commission to derange our machinery and not only do our industry but the country at large untold harm.

Furthermore, gentlemen of the committee, you would be singling out one private business for such drastic action, and one which is in no sense a public utility. You would be opening up the whole issue of Government regulation of private corporations, which would be a mighty serious step to be taken. And in these bills that are proposed you are suggesting the passage of special antitrust legislation for one single industry. You would also be mixing up the question of public utilities with private corporations and not distinguishing between them at all. That is possibly a point that it would be just as well for the committee to be getting in mind at this time—the difference between stockyards and stockyard practices and packing companies as private corporations. Many people argue that the packing companies ought to be regulated just as railroads, etc., are, but the latter are public utilities. Now, I say that the packing companies are in no sense public utilities, whereas it might be considered that stockyards are, and the regulation of stockyards and stockyard practices should not be confounded at all with the question of regulation of private packing corporations.

Mr. **Anderson**. Well, to the extent that packing companies operate stockyards, and to the extent that they operate refrigerator cars, they are operating facilities which have at least the aspect of public utilities.

Mr. **Weld**. Yes, but of course, in the first place, we are doing away with our interest in stockyards. But even if we were to retain that interest, and if it might be proper to regulate stockyards and stockyard practices, as public utilities, it would be no reason at all for regulating the packing industry as such, the companies engaged in that business being manufacturing and mercantile corporations.

Mr. **Anderson**. I do not think I will disagree with you as to the proposition that there is a legal difference, at least, between stockyard companies and packing companies.

Mr. **Weld**. There is much more than a legal difference; there is a very important economic difference. What makes a public utility? While I am not a lawyer, I know in a general way how it is designated, and that is a business that is often called a natural monopoly. That is, a railroad has a monopoly of the business at stations, at least at local stations.

Mr. **Anderson**. It is not a monopoly necessarily in order to be a public utility?

Mr. **Weld**. Well, that is one thing. Another thing is that the facilities of a corporation that is considered to be a public utility are used by the public; that is, they use the equipment of railroads. That is not the matter of a mercantile business, that is not doing the business of selling and buying products. The packing business is not in that situation at all. We are not allowing the public to use our facilities, and we are engaged in the mercantile business, that of buying and selling products which we own.

Mr. **Anderson**. You are in that business as to stockyards?

Mr. **Weld**. Yes; as to stockyards, we have been in a public business, no doubt, but not in our business as packing corporations. Another very important feature of the public utility corporation is that almost universally they do business at constant rates or rates that change only from time to time; that is, as the gas rates, and water rates, and railroad rates, which are fairly constant.

Now, gentlemen of the committee, we do not fall in that class at all. We have no natural monopoly. We do not rent our facilities to the public. We do business at fluctuating prices from day to day, and even during the day and deal in commodities which are perishable to a great extent. We are doing a purely mercantile business of buying and selling commodities from day to day in public markets. If we are a public utility then every steel mill and flour mill is a public utility. On the other hand, stockyards do fall in that class; they are a natural monopoly. For instance, there can only be one stockyards at Chicago. They do business at fairly constant rates, and they let the public use their facilities. They rent out the facilities to the public. Stockyards are in an entirely different position from what packing companies are. On that theory, and on the theory on which we have been regulating public utilities there might be justification for regulating stockyards, but that would in no sense involve packing companies. The Canada law, for instance, recognizes that distinction, as I understand. And the abuses you spoke of, Mr. Anderson, in your opening statement before this committee dealt mainly with practices in connection with stockyards. The regulation of those things is one thing, and a commission regulation of private corporations, such as packing corporations, is an entirely different thing. You make a serious mistake in trying to combine the two in one legislation.

Mr. **Young**. While your general statement in differentiating between a public utility and a private corporation seems to be sound, yet isn't there a distinction here: Assuming that the five packers have control of the whole live-stock industry of the country in the matter of the markets, could not that control reach such a stage that it would be a matter of public interest where legislation may be necessary in the public welfare to exercise some sort of control?

Mr. Weld. Not as long as you have your antitrust laws and we live up to them, as we do live up to them. As long as the largest packer handles only between 12 per cent and 15 per cent of the total meat supply of the country, and only from 22 per cent to 25 per cent of the meats shipped in interstate commerce there is no such situation as you suggest. And you have other industries in which a single corporation handles 50 per cent to 60 per cent or 70 per cent of the total output of the industry.

Mr. Young. I am going a little farther than that and am asking you to assume a thing, not to admit it; that for the purpose of this statement that we assume that the five packers did have control of the whole live-stock industry in their system of markets.

Mr. Weld. And worked together?

Mr. Young. Yes. Assuming that to be true, then would not the condition arise, and would not the necessity arise for legislation for the purpose of control over these institutions?

Mr. Weld. Yes, sir; I believe if your antitrust laws were ineffectual to prevent the growth of a monopoly and a monopoly results then that monopoly should be regulated by the Government. But that is not the situation in this case, and it is not threatened in the remotest degree.

Mr. Young. That gets back to a question of fact as to whether or not such a monopoly does exist among the five packers.

Mr. Weld. Yes, sir.

Mr. Young. In other words, a little corporation, for instance, in my town doing business as a corporation and organized under the statutes of the State of Texas means one thing, but if that corporation should become large enough to absolutely control any given industry then it might become a question that the public is so interested in that legislation is necessary to regulate or control the same.

Mr. Weld. Yes, sir. If it gets up anywhere near to the point of a complete monopoly I believe it should be regulated, but such is not the case in this packing industry, and such a situation is not even threatened here.

Mr. Marsh. Mr. Weld, do you remember that Mr. George W. Perkins and former Commissioner of Corporations Herbert Knox Smith, suggested practically the same principle that is provided in this bill—a commission to regulate all large aggregations of capital—in interstate commerce, at least?

Mr. Weld. Yes, sir; and we are moving in that direction, of course, with the Federal Trade Commission law. I am not saying that I am opposed to any Government regulation of interstate corporations even at the present, with the powers granted very clearly defined and moving more toward publicity, etc., which are the very thing that Herbert Knox Smith and others that work along that line have advocated. But they gave no discretionary powers of making such rules and regulations for the conduct of business, if I remember correctly. It was aimed toward publicity.

Mr. Marsh. You are mistaken on that.

Mr. Weld. Publicity of all kinds. Possibly it might include supervision over capital stock issues such as we had under the Capital Issues Committee during the war, and various things of that sort. But that is an entirely different matter. Are you going to try out such a thing as an experiment in one industry, and go much further than that and give a commission power to make such rules and regulations as it sees fit for a private corporation? I do not think the time has come to enter upon that kind of an experiment.

Mr. Anderson. Is it your conception of any of these bills that the purpose is to set up a commission that will tell you when and how and under what conditions you can purchase and sell your products?

Mr. Weld. That is not the purpose of the bill necessarily, but the power could be used in that direction to a certain extent without issuing possibly other than different orders if the commission were so disposed.

I will admit that such a commission as you are proposing in these laws might work out all right; that is, if you should have big, fair-minded men. And by that I do not mean any man partial to the packing industry but big, fair-minded men, able men, and men who have had enough experience in the exercise of power to know how to wield this power over a private corporation. But I do say that our experience is such as to indicate that there would be very great danger through giving such power to political appointees who might have no experience whatever, not only as to the packing industry but in any business at all. And they could use powers under this law in such a way as to bring about very dangerous results to our industry and to the country at large.

Mr. Young. In other words, you figure that frequently a law giving certain powers might be perfectly all right and sound in principle, but the administration of those powers might be destructive?

Mr. Weld. I do not know that I would want to go so far as to say that they might be correct in principle. I do not think you should have as a general principle such a law unless there is some specific thing that you have shown to exist and which you want to correct. I do not believe in passing laws just for the sake of putting them on the statute books, or for the sake of satisfying suspicion or prejudice. I do not think that a good principle for passing legislation at all. I think it is much better to go out and try to educate that prejudice away and show that the whole contention for such legislation is based upon misapprehension and prejudice and suspicion that is unfounded in fact. Furthermore, I do not believe that legislation based on such things and passed to satisfy suspicion will necessarily satisfy that suspicion.

Mr. Anderson. If the committee is of opinion that the situation in the live-stock industry is such that it gives the five large packing concerns undue control over the markets for live stock, do you think it would then be the duty of the Congress to pass some law on the subject?

Mr. Weld. If it were found in the first place, that we exercised any collusive control over the live-stock markets I think you have other avenues of correcting such a situation.

Mr. Anderson. You get back eventually to the proposition that there is nothing in the conduct of the packing industry, either in the past or at the present, that justifies additional legislation on the subject.

Mr. Weld. I do not say we are perfect by any manner of means. But I do say that we are conducting an honest business, and living up to the law just like other industries are doing, and if you are going to pass legislation to regulate private manufacturing and mercantile corporations then there is just as much reason that you should extend such control to other businesses; and it would be a mistake to give any such powers as are suggested in these bills over private manufacturing and mercantile corporations in general.

Mr. ANDERSON. Your position seems to be inconsistent in this, that you are perfectly willing that the Attorney General shall legislate for the packing industry by decree, but you are not willing that the Congress shall legislate for it in the way that legislation should be enacted.

Mr. WELD. Well, let me say this: Personally I am not so keen as I might be for what you call legislation by the Department of Justice. But I will say that something has been accomplished by the consent decree that I do not believe you could accomplish by law. I do not believe that the provisions of these laws giving power to say what products we may or may not handle will ever go through. I can not conceive of your passing such a law. Where are you going to stop if you once adopt that principle in legislation? Somebody will come to the Congress and say: Here is Sears, Roebuck & Co., who are manufacturing stoves.

Let us have a law that will prohibit Sears, Roebuck & Co. from manufacturing stoves, or from manufacturing farm machinery, or from manufacturing shoes, or the Brunswick-Balke-Collender Co., who are manufacturing billiard tables from manufacturing automobile tires, and talking machines. Somebody is going to come along and say: "Let us stop them from making talking machines." That is a principle of law that I do not believe you will ever desire to give to any commission—power to say what a concern may or may not handle. That has been accomplished in the case of the packers through a consent degree, and we have submitted to it. We have agreed to that for the simple reason that we desired to satisfy this prejudice against our handling these other commodities. We consented to let something be done through the courts in order to estop prejudice such as the Federal Trade Commission and others are stirring up, and that I do not believe you could accomplish by law. We have made a very definite concession on a matter of principle that is quite important to us.

Mr. ANDERSON. If you are right about that and if your argument is sound then the establishment of this principle by the Attorney General is entirely wrong, economically wrong.

Mr. WELD. It is economically wrong.

Mr. ANDERSON. And it is fundamentally unsound?

Mr. WELD. It is economically wrong, and yet it is accomplishing something that we hope may be good for the country in this particular case.

Mr. YOUNG. Let us see about that point a minute. All States have statutes under which artificial persons, corporations, are set up. Otherwise there could not be any artificial persons, corporations, set up. Take my State of Texas, for instance. By statute we say that men can incorporate to do this business or that business or another business.

Mr. WELD. That men can do what?

Mr. YOUNG. Can incorporate to do this or that or the other particular line of business.

Mr. Weld. Yes.

Mr. Young. But we have always found it sound public policy down there to say that your charter will authorize you to go so far and no further. In other words, if you undertake to take out a charter to establish an ice manufacturing business you can not in that same charter organize a ginning corporation.

Mr. Weld. Can the same people own stock in a ginning corporation?

Mr. Young. Well, that is a question. Those questions have been raised in litigation down there. But the charter for an ice business limits you to that business, to an artificial organization being set up for that purpose. And it is a matter of sound public policy that when you authorize the setting up of artificial corporations, or artificial persons, I mean, to do a particular line of business to say that you can not do any other business under that charter.

Mr. Weld. I seriously question whether that is sound public policy, or that it would be sound public policy if adopted for the country at large. If you defined exactly just what business should be done, and confined it to a very narrow line of business for one corporation, it would practically revolutionize our industrial organization in the country. I do not believe that would be economically sound at all.

Mr. Young. I do not know how it is in other States but in our State we have had the provision for years that where certain gentlemen undertake to organize a corporation to do a certain thing that they shall not insert in their articles of incorporation the right to conduct other lines of business. They have universally so far as I know been held down to the statute that you can incorporate for this purpose or that purpose but that you can not insert other provisions in your articles of incorporation. That has been considered wise.

Mr. Weld. I wonder if that has not kept some good corporations out of the State of Texas if that has been lived up to exactly. That is not required in some other States at all.

The Chairman. It is in some other States I know of.

Mr. Weld. It may be in some other particular State.

Mr. Young. I am talking about the incorporation of artificial persons in the State of Texas. Of course, it is different where a corporation gets a charter in some other State and then is permitted to do business in our State, but that has been considered a wise policy in our State.

Mr. Weld. I do not believe that it would be good policy in the country at large. How would you handle Sears, Roebuck & Co. that not only handle almost every product there is, but manufactures some things, like stoves, farm machinery, and so on? Would you have a law to forbid the incorporation of a corporation to do such things?

Mr. Young. Well, I do not recall our statute, and perhaps there is a statute broad enough for a business like Sears, Roebuck & Co. They do business in our State but I do not know what State they are organized under. We have a statute which permits outside corporations to come into our State——

Mr. Weld (interposing). And do different kinds of businesses?

Mr. Young (continuing). Providing they meet the statutory requirements in the matter of filing their articles of incorporation down there and complying with our law. Of course we have kept some corporations out of the State, they not being able to comply with our law. And I do not know that we have suffered any by it. The State has gotten along very well.

Mr. Weld. There may be other advantages that overcome the disadvantages in that respect.

Mr. Anderson. If there are abuses in the live-stock packing industry, wouldn't it be better to have those abuses corrected by a short and informal process through a commission than after a long and tedious trial in court?

Mr. Weld. Why no, not if we have broken the law. What are our courts for?

Mr. Anderson. Well, the courts it is quite evident are to try law suits, but they do not seem to be functioning that way so far as your industry is concerned. We get consent decrees before we get a chance to try any law suits to determine anything.

Mr. Weld. What is that?

Mr. Anderson. We arrive at a consent decree before we are able to file any law suits and arrive at any conclusion in that way.

Mr. Weld. Well, that statement forces me to express what I will say is my own personal opinion, and that is that there would have been prosecution if there had been grounds therefor. We in the packing industry know that there were no grounds for prosecution because we have lived up to the law.

Mr. Anderson. So that this decree was just a gratuitous agreement on your part, or acceptance rather on your part of a prohibition for which there was no basis in law?

Mr. Weld. Yes; and to do away with the harassment to which we were being subjected by the Government.

Mr. Anderson. In what way? How do you mean you were being harassed by the Government?

Mr. Weld. Do you happen to remember the publicity given in the newspapers at the time of the grand jury indictment and trial last September out in Chicago? I wish you could have heard Mr. Atwood's speech, down in Houston, Tex. In that event you would have found a splendid reason for our trying to get rid of this harassment by the Department of Justice.

Mr. Anderson. In considering this whole question you make no distinction between the handling of food products and the handling of other products. You think the Congress would not be authorized to differentiate as to whether it would regulate one industry or another; that it would not be justified in considering whether the industry should handle a perishable and absolutely necessary product and also products mot perishable and not so immediately essential?

Mr. Weld. I will modify my statement to this effect, that such legislation, if had at all, ought at least to cover all food products rather than to single out one private corporation, or one group of private corporations and one industry. I believe if such principles are to be adopted in our laws at all they should cover all corporations; or I will say at least they ought to cover all food products.

Mr. Anderson. Well, it seems to me the answer to that is that we are taking the situation as we find it and not as we wish it might be. If we undertake to regulate your industry and do not undertake to regulate other industries it is because of the situation you have created and not because of any situation that we created.

Mr. **Weld**. We have not created any situation that warrants singling us out. The only way you can justify singling us out for this legislation is by forming your conclusions from or giving your assent to the charges and statements that have been made by those that have singled us out. The only argument is that there has been created a suspicion by means of misrepresentation; and that is a fine principle to legislate on.

Mr. **Anderson**. I take it that if the committee legislates on the subject at all it will not do so on the theory of suspicion.

Mr. **Weld**. That is the principal argument used by the people who have come here in favor of the bill. If you pin them down to any specific things you will find that to be the case.

Mr. **Anderson**. The committee might, however, be justified in assuming that there are some grounds for suspicion of a situation which has continued for a period of 30 years.

Mr. **Weld**. Well, if you can not determine what that suspicion is, if you can not point out any specific wrongs upon which to base a suspicion, might it not lead you to suspect that that suspicion which has lasted 30 years has not been justified, and that it might be much better to help clear up the suspicion by coming out and telling the truth about the situation about our industry? To come out like in the summary of the Federal Trade Commission's report and say frankly that our profit has practically no effect on prices, for example?

Mr. **Anderson**. We know that the packing industry in some respects was in agreement as to allocation of shipment prior to 1902 and that there were efforts to combine in other respects.

Mr. **Weld**. In 1903 it was not successful in any respect. There was an attempt to form a consolidation in 1903, a consolidation such as was formed in the steel industry and in any number of other industries, but the difference between our industry and others was that it happened in other industries and did not happen in our industry, and we have been through a court trial in 1912, and there we were declared not guilty. You can not furnish evidence where we had been breaking the antitrust law; if there were such evidence we would be in the courts now.

Mr. **Anderson**. Well, that will be for the Attorney General to explain, not me.

Mr. **Weld**. I am saying that that is my personal opinion. Of course we in the industry know that we are not guilty, and therefore we know that there can not be any evidence that we are guilty.

Mr. **Anderson**. The Attorney General and yourself are about as far apart on that proposition as you and I are on the matter of this legislation.

Mr. **Weld**. Well, if we were guilty I think we ought to have been prosecuted; I will say that.

Mr. **McLaughlin** of Michigan. I have a different view of a consent decree to what has been expressed by some. I know something about how decrees are made by consent. After they are made they are the action of the court; as much the court's action as if the parties had been a mile apart and the court had made a finding and made a decree accordingly. In my judgment if the decree of the court relates to something of which the court had no jurisdiction it is nothing more nor less than a gentleman's agreement between the Attorney General and the packers. I doubt very much if it could be enforced in that case.

Mr. WELD. I am not prepared to express an opinion on that. It involves a legal feature which I am not prepared to express an opinion on, but what you say sounds reasonable to me.

Mr. MCLAUGHLIN of Michigan. When you speak of a consent decree and reflect upon it you must realize it must have been the determination of the court just as much as if the judge had reached that conclusion himself. He would be a queer judge who would put his name to a decree, or authorize it to be entered in his court if it is not his judgment and the judgment of the court through him.

Mr. WELD. Well, I have nothing to say on that. Of course the decree does prohibit us from doing things which are perfectly legal for us to do, and which are perfectly justifiable from an economic point of view.

Mr. MARSH. You will admit that there is a prejudice, if you wish to so call it, or, as I will put it, a pretty wide demand on the part of consumers and producers alike for legislation?

Mr. WELD. Yes; and based upon a misapprehension and suspicion which are not founded on facts.

Mr. MARSH. Of course, that might be said to be a somewhat conceited statement for a representative of the packers to make because it impugns the intelligence of close on to 100,000,000 people.

Mr. WELD. No; I am not impugning the intelligence of 100,000,000 people.

Mr. MCLAUGHLIN of Michigan. The committee only takes the statement as the opinion of this witness.

Mr. WELD. Yes, sir; I realize that.

Mr. MARSH. Mr. Weld, do you object to Federal incorporation of corporations doing an interstate business?

Mr. WELD. I have no very definite feeling on that. I think on the whole I have been a little bit disposed toward Federal incorporation of interstate corporations. Whether I would make it compulsory or not I am not sure. I rather think I have inclined on the whole toward at least voluntary incorporation of interstate corporations.

Mr. MARSH. Bearing on this bill of Mr. Anderson's, Congressman Steele has a bill for elective licensing, under which interstate corporations can get a license from a Federal commission, and if they get a license and comply with the requirements of the commission created to handle it they are not subject to prosecution as far as the Federal Government is concerned for violation of any antitrust law. If they do not elect to take out such a license then they are liable to prosecution. The packers would not object to that, would they?

Mr. WELD. I do not know. I would have to see the terms of the bill to speak on it.

Mr. MARSH. I mean as to the general principle of the bill.

Mr. WELD. Of course that recognizes the principle that there is an inevitable tendency toward monopoly in some industries; and I think it is better to recognize that and regulate them than to try to prohibit the growth of a monopoly. I am not sure but what that is a sound principle. Of course the great difficulty is in knowing where monopolistic power begins. The Supreme Court of the United States has just held that in the case of the United States Steel Corporation, which handles something less than 50 per cent of the output of steel, it is not a monopoly, that it has not control of a sufficient proportion of the supply to have the power to artificially manipulate prices. With that view, of course, in the packing industry, in our industry, we are very, very far from that, the largest packing corporation handling only about 25 per cent of the output of interstate slaughterers and only about 12 per cent to 15 per cent of the total output of meat in the United States.

Mr. **Marsh.** Of course that decision of the Supreme Court of the United States is very unfortunate, but it has not changed anybody's opinion of the economic situation and the status of the Steel Trust. But this is not quite analogous because you have an accidental agreement which results——

Mr. **Weld** (interposing). We have no accidental agreement at all.

Mr. **Marsh.** Well, an accidental continuity of action.

Mr. **Weld.** Which is the result of competition and which happens in every competitive industry, as I have shown the committee.

Mr. **Marsh.** Would you have an omnibus charter or license for every business corporation?

Mr. **Weld.** Do you mean issued by the Federal Government?

Mr. **Marsh.** Yes; or by the State governments.

Mr. **Weld.** I do not know. I have no definite opinion on that except that I do not believe it would be practical to limit the corporation in a definite line of industry as Texas apparently tries to do.

Mr. **Tincher.** There are certain distinctions between corporations and individuals, and corporations are purely a creature of the law so that it is conceded that they should be limited by the same law that creates them. We used to have an old man in Kansas who said a corporation would never eat a square meal or have its picture taken. So in that respect a corporation is different from an individual. And we realize that a corporation is purely a creature of the law.

Mr. **Weld.** Yes; we have laws which create them and laws which recognize that difference.

Mr. **Tincher.** I have been very much interested in your statement here about to what extent you are willing for commissions to have something to do with the public part of your corporation. Of course you are friendly to the Federal Trade Commission personally?

Mr. **Weld.** Well, I do not know whether I would say I am friendly to the Federal Trade Commission or not, although I think I may say that I do approve of it. I think I approved of the Federal Trade Commission law at the time it was enacted; or at least of the determination to have a Federal Trade Commission at the time.

Mr. **Tincher.** I think you are clearly within the time-honored custom that the Federal Trade Commission so organized being instructed to investigate a concern with which you are connected and their findings as the result of that investigation being so unfriendly——

Mr. **Weld** (interposing). And unfair.

Mr. **Tincher** (continuing). Toward a corporation that you are connected with that you are resorting to the constitutional right of every man who is tried by a court and it decides against him of "cussing" the court. So that collectively and individually you are "cussing" this Federal Trade Commission?

Mr. WELD. And I am furnishing the proof of why we have reason to do so.

Mr. TINCHER. But just the same not being interested in other lines of industry and looking at these things from an impartial standpoint you still have a friendly feeling for a federal trade commission?

Mr. WELD. I do not object to one. I think the Federal Trade Commission has done good in going after methods of unfair competition. I think it was necessary to do something along that line.

Mr. TINCHER. Well, there is another line of objection besides competition between different firms engaged in the same business, and that is competition between life and death, and between the ordinary necessities of life and poverty, and between good government and bad. And there are a number of people in the United States that think a commission thoroughly versed in the transactions of the packers, which is certainly a big institution controlling one of the most important food products of the nation, or dealing in it to such an extent that it is possible if they were combined to control, would be a good thing.

Don't you think an outsider looking on might look upon this proposition as the gentleman who suggested that one hundred million people were interested—and I have not letters from that many, I confess—but an outsider looking on and thinking about it as you think about some Federal trade commission might think it a good idea to have an arm of the Government, or Federal agency, to which the people affected and directly interested by reason of your manipulations or lack of manipulations in this industry could look for relief?

Mr. WELD. Why, yes; I think there is a large proportion of the population that would welcome regulation of the packing industry. But if it can be shown that that feeling is the result of prejudice and suspicion and not due to any specific abuses that are practiced by the packing industry, I do not believe that the mere fact that the people want legislation to satisfy that suspicion is a sufficient argument for passing it.

Mr. TINCHER. I understand, but you are fair enough and economist enough and statesman enough to see the necessity for these commissions along certain lines. Of course you are interested now and naturally would be and are so imbued with the absolute honesty and fair dealing of the people with whom you are associated that you do not think a commission is necessary for them, but you do think that that is an essential policy of the Government in some instances—to have such a body as the Federal Trade Commission?

Mr. WELD. Well, as I have stated, I think it is well to have a Federal Trade Commission to see that there is fair competition and to cut out methods of unfair competition.

Mr. TINCHER. Do you think that a commission such as is provided in this bill at the time the Federal Trade Commission was authorized by the Congress or by the President rather to investigate you; do you think if you had had a commission conversant with your line of industry that there would have been a different kind of investigation; is that your idea? I mean, assuming that the commission who made the investigation would be thoroughly honest and unprejudiced?

Mr. WELD. I do not know whether I get you right. Suppose I have the reporter read that to me?

Mr. TINCHER. Suppose the Federal Trade Commission had been made up of a personnel, of men, familiar with your business, familiar with your industry to some extent, you would not have had any dread of an investigation, would you?

Mr. WELD. No; and we did not think when this investigation started that it was going to be unfair. We thought it was going to be a fair and impartial investigation, and that we would not have to be——

Mr. TINCHER (interposing). I have been reading different hearings, but of course a Congressman could not read them all for it would take a good portion of his natural life to do so; but I have read enough of the hearings, and know enough of the accusations to believe at least that there was opposition to the investigation by the Federal Trade Commission.

Mr. WELD. There was opposition to the old Borland resolution which condemned us beforehand, and which tried to limit the investigation to our industry and not to bring out facts with regard to the production of live stock on up to the retailing of meats.

Mr. TINCHER. Let me ask you this question: I have heard that statement made several times, that your objection to the Borland resolution was that it amounted to a condemnation of the packers to begin with; that it was a resolution having the effect of trying to get something on the packers and assuming it to begin with. Having read the correspondence and being somewhat familiar personally with the campaign conducted by the packers to prevent the passage of the Borland resolution, do you want me to believe as a Member of Congress that your only objection to the investigation by the Federal Trade Commission was the simple fact that the Borland resolution stated the matter in too strong language, or in different language to what you would use?

Mr. WELD. I was not with Swift & Co. at that time, and there may have been a feeling that any investigation would be unfair and prejudiced and would not bring out all the facts. And if they did have that feeling I want to say it has been amply justified by the result.

Mr. TINCHER. But how are justified, how are the packers justified, in coming before this Congressional Committee and saying to us: We did not oppose the Borland resolution except as to the language that was in it, which condemned the packers to start with; we were not opposed to an investigation by the Federal Trade Commission. And then in the same breath saying to us: We are honest and are on the square and do business above board and have no illegal practices or abuses, and have no monopoly; no trade agreements, and no underatndings among ourselves, and it is not necessary to investigate us further, or to have any commission to regulate us in any way.

Mr. WELD. As I understand it the packers did agree to an investigation provided it did not convict us beforehand, and provided it covered the whole field.

Mr. TINCHER. Well, I have read all of the hearings on the Borland resolution, and have read the matter that has gone into the Federal

Trade Commission's report, and the letters and correspondence about it, and the efforts made to prevent it, and I do not believe they would justify any man in arriving at any conclusion except that the packers used every means in their power to prevent it regardless of the language of the Borland resolution; that they tried to prevent the passage of that resolution, and tried to prevent an investigation by the Federal Trade Commission. I may be wrong in that view, but that is my idea of the situation.

Mr. Weld. I know that they did oppose the Borland resolution as finally passed in the House but I have not the details of that. And I do know that we consented at one time to a throughgoing investigation that would cover the whole field of the industry but that did not convict us beforehand—but that was not carried out in the Borland resolution. Whatever the circumstances were in that respect here you have had your investigation, and which has turned out to be unfair, a one-sided prejudiced investigation. I have given you ample proof of that all right. And if I had given you one-half that I have to give you, and it would be sufficient proof, I could keep on for three or four days longer citing other examples of other insinuations and misrepresentations and suppressions of facts, and the improper use of terms to make other meanings, and so forth, to prejudice the public and the committee all the way through.

Mr. Tincher. Ordinarily a legislative committee of the American Congress presented with findings and conclusions, like those of the Federal Trade Commission or the Department of Justice, would have been justified—say in the case of the Department of Justice at least, in conducting a prosecution to a successful conclusion or otherwise; and as to the law-making body, it would have been justified in reporting a bill right there and passing it. But this Congress has not treated you that way. This Congress has conducted an extensive hearing, realizing all the time that the report of the Federal Trade Commission was not binding, and with a view to bringing out all information as to proper legislation in connection with this matter if any legislation is necessary. So we are going on the theory that we are not bound by the report of the Federal Trade Commission.

Mr. Weld. If you had sufficient reason to believe that the Federal Trade Commission's investigation was accurate and scientific and its conclusions were sound, I would not blame you at all for trying to pass legislation, although I would first try to get us prosecuted in the courts, which attempt of course was made. But when it is shown conclusively that the conclusions of the Federal Trade Commission are not founded on facts and that its report is full of insinuations and misinterpretations, I would think you would discredit it right away as a basis for passing legislation.

Mr. Tincher. Well, we have the benefit of it and also of your testimony, and all that testimony is before us.

Mr. Weld. Surely.

Mr. Tincher. It is evident that since this consent decree was entered into there has been some understanding between the Department of Justice and the combination of meat packers which exist in Washington under the name of—what is it?

Mr. Weld. The Institute of American Meat Packers?

Mr. Tincher. Yes.

Mr. WELD. That is not a combination of the packers any more than any other trade association could be called a combination.

Mr. TINCHER. The Institute of American Meat Packers is the name. I have here an article purporting to be, if it reports these things properly, in regard to that matter, and that says that one way they are going to reduce the high cost of living is to advocate some meatless days. Is that a part of the propaganda of the meat packers?

Mr. WELD. I have not heard anything of that.

Mr. MCLAUGHLIN of Mich. What is the date of that?

Mr. TINCHOR. It is published in a paper under date of March 14, in the Philadelphia Record, I believe.

Mr. WELD. No; there is nothing in that.

Mr. TINCHOR. It says they are going to endeavor to get the people to eat cheaper cuts of meat.

Mr. WELD. Yes, sir.

Mr. TINCHOR. Who is putting that out?

Mr. WELD. I understand it is being put out by the Department of Justice. I know nothing about it except that I have heard since I have been here something said about it. It would not be unnatural for them to do it, I think.

Mr. TINCHOR. This announcement says:

> The Department of Justice announced to-day the date of "save money on meat" in the various States. During these weeks an effort will be made to reduce materially the price of the cuts of beef, pork, and lamb now in heavy demand by showing consumers the advantage of turning to those which are equally nutritious, but which cost much less. The first "save money on meat" week, which has been previously announced, will be held from March 22 to March 27 throughout each of the following States: Illinois, Wisconsin, Ohio, Iowa, Indiana, Michigan, New Jersey, and Pennsylvania.

Do you know whether the Institute of American Meat Packers are paying for the posters that are going out in this campaign?

Mr. WELD. I never heard that they were. I know nothing about it.

Mr. TINCHER. I got the idea the other day from Mr. Veeder's statement, from something that he said, that you men here in Washington attending these hearings are working in harmony with the Institute of American Meat Packers; that that is your national organization.

Mr. WELD. It has headquarters in Chicago.

Mr. TINCHER. And you have offices here?

Mr. WELD. We have a small office here.

Mr. TINCHER. You have offices here, where it has been charged, though I do not know whether it is true or not, that you prepared, or that the statements of some witnesses who appeared before us were prepared in typewriting.

Mr. WELD. Yes, sir; that was done last summer. We had more of an organization here then. There is only one man here now. That matter is not handled here at all now; I think it is all a Chicago matter.

Mr. TINCHER. I do not know that this article will throw much light on the subject, but it is quite a full, though somewhat condensed, idea of the situation and is of interest to the Consumer's League, and I would like to put it into the record if there is no objection.

The CHAIRMAN. Without objection it will be inserted in the record:

(The article referred to, which appeared in the Philadelphia Record Monday, March 14, is here copied in full in the record, as follows:)

MEAT PACKERS FURNISH PALMER'S ECONOMY DOPE.

DATA FOR EDUCATION OF PUBLIC PREPARED BY THEIR WASHINGTON "INSTITUTE"—RUDE JOLT TO HOUSEWIVES—EXPERTS OF BIG COMBINE WRITE ADVICE ON HOW TO REDUCE FAMILY MEAT BILLS.

WASHINGTON, D. C., *March 14.*

The knowledge that the campaign recently inaugurated by the Department of Justice to "educate" consumers on high meat costs is really being conducted by the Chicago meat packers under the guise of and in the name of the Department of Justice will perhaps give added weight to the bulletins which are beginning to make their appearance at intervals containing advice for the housewives on how to eliminate high prices.

The Institute of American Meat Packers, an organization maintained in Washington by the packers, is preparing and issuing in the name of the Department of Justice the statements designed for publication on this subject, an investigation of the matter discloses. The packers' organization maintained in the National Capital is an entirely proper one, but there will be some who will question the ethics of its being permitted to put out so-called educational propaganda through the medium of a Government department. Presumably the entente cordiale between the packers and A. Mitchell Palmer started after his famous "dissolution" of the Packing Trust.

The "save money on meat" campaign was announced a week ago in mimeographed statements sent to all the newspaper offices and bureaus in Washington. The statements purported to come from the Department of Justice, and were prefaced by an introduction to that effect. However, it develops that this matter is being prepared in the Institute of American Meat Packers and delivered by a messenger from that organization. Regardless of the propriety of the procedure, the disposition of the householders will be to accept as authentic the advice tendered by the packers, when the source is known, since it will have the value of being expert and will be in sharp contrast to the amateurish matter on similar subjects which has heretofore been issued by the "experts" of the Department of Justice.

SHIFTS BLAME TO CONSUMER.

Having failed miserably in its antiprofiteering campaign, which began with a great burst of publicity and promises last summer, Mr. Palmer's organization appears now to be starting out to saddle on the consumer the blame for the high costs of meat.

This is probably the final outcome of the Attorney General's price reduction campaign—and his famous "dissolution" of the Packing Trust.

Palmer's "food experts" are preparing to launch an intensive educational campaign to teach the public to restrain its appetite for high-priced cuts of meat. The big idea is to convince the public that chuck steak is as good as porterhouse and that shoulder is as good as rib.

Heretofore Howard Figg, Palmer's assistant in charge of the "price reduction campaign," has sought to prove by a dazzling array of claims that the cost of living has been dropping rapidly. This "food expert" painted the picture so alluringly that many people had begun to believe high prices were a myth. The Department of Justice's bulletins grew more extravagant in their claims of price reduction until there was a collision between Figg and Prof. Royal Meeker, Commissioner of Labor Statistics of the Department of Labor. Meeker is a statistician of wide reputation and his figures on living costs are accepted throughout the world as authoritative. His figures show many instances in which the cost "reductions" announced by the department are misleading.

The Bureau of Labor Statistics for January, the last month available, show an increase of 2 per cent in living costs. Prof. Meeker recently rebuked the "experts" of Palmer's department for their extravagant claims, and this has brought a halt in the steady flow of promises which had emanated from the department.

HOUSEWIFE HOLDS THE REMEDY.

Unable to continue their job of fooling the public, the fair-price commissioners of the department located in the various States are now to be assigned to the new job of "putting over" the "campaign of education" designed to show that the housewives rather than the profiteers are to blame for high prices, and teach the public frugality in buying.

The statement issued, ostensibly by the Department of Justice, but really prepared and issued by the packers' Washington office, reads:

"It is expected that the efforts of the department will have the cooperation of retail meat dealers throughout the country, as well as the cooperation of the whole packing industry, including several hundred different companies. The housewife holds in her own hand the remedy for very high meat prices. By turning away from the expensive to the inexpensive cuts she not only will lower her own meat bills, but will drive down the price of the choice cuts."

Pennsylvania will be included in a group of nine States where the "save money on meat" week is to be inaugurated.

The announcement sent out by the Institute of American Meat Packers to-day reads in part:

"The Department of Justice announced to-day the dates of 'save money on meat' in the various States. During these weeks an effort will be made to reduce materially the price of the cuts of beef, pork, and lamb now in heavy demand by showing consumers the advantage of turning to those which are equally nutritious, but which cost much less.

"The first 'save money on meat' week, which has been previously announced, will be held from March 22 to March 27 throughout each of the following States: Illinois, Wisconsin, Ohio, Iowa, Indiana, Michigan, New Jersey, and Pennsylvania."

The CHAIRMAN. The committee will now recess until 2 o'clock.

(Whereupon, at 12:07 p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. You may proceed, Mr. Weld.

STATEMENT OF MR. L. D. H. WELD, OF CHICAGO, ILL.—Resumed.

Mr. WELD. Do you want to ask me some questions first? I believe you were going to ask me some questions at the close of the morning session.

The CHAIRMAN. On profiteering? Do you want to go back to that? I understood you were going to take that up later.

Mr. WELD. Yes; I was coming back to that later.

The CHAIRMAN. I will wait until you take it up again.

Mr. WELD. I did not know your questions were on that subject.

I want to come now to some of the evidence submitted to this question.

The CHAIRMAN. I understood you to say that if the packers were guilty of violations, they should be prosecuted, and that that course should be pursued rather than to pass additional legislation.

Mr. WELD. I said that if we were guilty I think we ought to have been prosecuted. I do not think I linked that up with the question of legislation, necessarily.

The CHAIRMAN. But it is not the duty of Congress to prosecute; that is the duty of the Department of Justice.

Mr. WELD. No. sir; I am not suggesting that Congress do any prosecuting.

The CHAIRMAN. The Department of Justice states it is not going to prosecute.

Mr. WELD. Yes.

The CHAIRMAN. The Attorney General said that they are guilty in his opinion but that he does not propose to prosecute. Then there is no prospects of remedy in prosecution, is there?

Mr. WELD. You know, as I said this morning, my own personal opinion is that the reason there was not any prosecution is because there were no grounds for prosecution. That is my belief, because

I know we are not guilty, and therefore there cannot be any evidence of guilt.

The CHAIRMAN. But evidently the Attorney General is of a different opinion because he states that he thinks they are guilty.

Mr. WELD. As I say, again, in my own personal opinion. I think then he ought to have prosecuted us.

The CHAIRMAN. If he refuses to do it then there is no remedy.

Mr. WELD. If he really thinks he has the goods on us he ought to have prosecuted us.

The CHAIRMAN. He says he will not prosecute. We are now looking for a remedy; can you suggest any remedy under the circumstances other than legislation?

Mr. WELD. I think there are enough laws now to cover the situation, and, as I explained this morning, we have made a very definite concession through this consent decree which we thought and we hoped, at least, would allay some of this prejudice.

The CHAIRMAN. Do you care to discuss the decree at this time?

Mr. WELD. I do not know that I have anything more to say on the decree other than I said this morning. I could not do anything more than repeat what I said this morning, and I said a good deal then.

The CHAIRMAN. There seems to be a difference of opinion as to this decree. Some have not the confidence in the decree, or the result to be obtained under the decree, that we would like to have. I take it that that is a matter that had better be discussed by itself.

Mr. WELD. Yes; you do not have any lack of confidence in our good faith in carrying out our part of the decree, have you?

The CHAIRMAN. In carrying out the decree?

Mr. WELD. Yes.

The CHAIRMAN. The same as in the other decrees. We have had the decrees but we have had no results.

Mr. WELD. You have had this result, that we have followed them explicitly and have not broken the law.

The CHAIRMAN. I think, as Mr. Anderson stated, that all we have had has been decrees.

Mr. WELD. Apparently; that is all that has been necessary to keep us from breaking the law.

The CHAIRMAN. According to the Federal Trade Commission it has not kept some from that.

Mr. WELD. And I have shown that the Federal Trade Commission has not established a case.

The CHAIRMAN. You do not agree with the commission?

Mr. WELD. I have shown where its conclusions are not sound.

The CHAIRMAN. That is all, except that I want to discuss the question of profits with you when you get to it.

Mr. WELD. I want to take up some of the evidence that was given to this committee, especially by Mr. Colver. I am coming to you next, Mr. Anderson. First, with regard to the pork loin chart. showing the prices of pork loins in relation to the price of live hogs.

You will remember that that chart showed that during August and September last, when the price of live hogs was falling very rapidly, the price of pork loins stayed up and even went up to a slight extent, although the price of hogs was falling.

That was given out by the Trade Commission as an example of the manner in which we arbitrarily forced up the price of meat products irrespective of the price of the live animals.

Now, I consider this chart and this charge as good an example as you can find of the unfairness of the Federal Trade Commission and the extent to which it will go to put us in a wrong light.

The truth of the matter is this, that pork loins constitute only a very small part of the total hog—only about 10 per cent of the live hog. So the Federal Trade Commission made a comparison between the price of live hogs and the price of one individual cut. That one individual cut is practically the only part of the hog that is sold as fresh meat, the rest of the hog having to go through the curing process, which takes several weeks and means that they are not marketed for a month, two months, or three months after the animals are killed.

In making up this chart the Trade Commission used only one weight, the lightest weight of pork loins, and it also used nominal quotations obtained from some journals, which make it appear that the price remained fairly steady from day to day, whereas, as a matter of fact, it varied very greatly from day to day, as shown roughly by this chart.

Mr. ANDERSON. What price is that?

Mr. WELD. That is the price of pork loins that we actually obtained in New York, by days, from the 1st of August until the last of December. It shows, in general, the same tendency as the chart given by the Federal Trade Commission, but brings out the additional information that that price varied greatly from day to day. It was this chart that I referred to at one point earlier in my testimony when I was speaking of fluctuations in prices and saying that the prices of fresh meat products also varied considerably, and I spoke of changes of from 3 to 7 cents in one day on this particular cut of meat.

Mr. ANDERSON. If the prices for a number of cities had been averaged, that would have reduced the fluctuations somewhat, would it not?

Mr. WELD. Yes, sir; also if you average the prices of hogs and cattle in different markets, it would reduce the fluctuation, instead of referring to individual instances in one market where the price dropped $1 in a day or two days or a week.

It is true that pork loins did stay up in price during that time when the price of hogs was coming down, but the prices of the other cuts from a hog came down approximately with the prices of the live hog.

I have a chart here showing the course of prices of other cuts from a hog, received by Swift & Co., during the time under review which will not show the pork loin price which stayed up. In other words, the prices of all pork products together came down approximately as the price of hogs.

In treating of this matter, when the Federal Trade Commission first brought it out, there was no reference whatever to the prices of other pork cuts. This was brought out first along in September, and in a public debate that I had with Mr. Colver on October 2, in Des Moines, Iowa, he exhibited a chart showing the course of pork loin prices up to that time, and said, "You see what they are doing to the price of pork," insinuating of course, that we were arbitrarily forcing the price of pork up while the price of hogs was coming down. He said nothing about the prices of the other pork cuts, and I happened to have a chart with me at that time that showed the downward trend of the prices of other pork cuts.

Now, to meet that objection, Mr. Colver has since introduced before the Senate committee, and also introduced in the records here, although it was not explained to this committee, a chart, showing the course of ham and bacon prices obtained in Boston, and also some figures showing that the prices of all pork cuts together had not come down as much as the price of hogs.

Now, it is true that the price of all pork products together, although they followed in general the course of hog prices, did not drop quite so much as the price of hogs; but there again the Federal Trade Commission is telling only part of the story, because during that drop in the price of hogs, Swift & Co. and the other packers had large supplies of pork in cure, and the prices of those fell approximately with the prices of hogs, and the result was a tremendous loss in the values of those goods on hand.

Swift & Co. has roughly estimated its loss as $10,000,000 in about six weeks during that time.

Why, you say, did the price of pork loins stay up? And the answer to that question is one of the best evidences of the fact that the demand and supply, working through competition, control the prices of meat products.

The reason that hogs and cured-pork products went down was the sudden dropping off in the European demand. That, and the agitation against the high cost of living which probably played its part; but the principal reason was the falling off in European demand.

Now, that falling off in export demand had no effect whatever on the price of pork loins, because pork loins are sold fresh within a few days after the animal is killed and not exported. So that that foreign situation that caused the drop in hog prices and in the prices of cured pork products, did not affect the price of pork loins.

Now, all this happened during August and September when the receipts of hogs were light, as they always are at that time of the year. Consequently, the supply of fresh-pork loins was light, but, as you know, we had prosperity here at home and the domestic demand for fresh pork kept up just where it was, with a light supply of pork loins. Therefore, with the light supply of pork loins and the heavy domestic demand and the situation not being affected by the falling off in the foreign demand, the price of pork loins naturally stayed up.

In other words, the explanation of the high price of pork loins is that the supply was light and the demand was heavy, and those causes which affected the price of live hogs and cured pork products did not affect the price of pork loins.

Furthermore, during all of this time, as I have said, it was a period of extremely heavy loss to the packers on their pork business, and at the bottom of this diagram that I have distributed you will find our loss or profit per hog by months. That figure is obtained by taking our inventory at the first of the month, our purchases of hogs during the month, our sales of pork products during the month and our inventory at the end of the month, and that showed a loss of $12.15 a hog for August, $21.91 a hog in September, and $4 in October; and a profit in November of $1.15, and a profit in December of 24 cents per hog.

In other words, during this time that we are accused of arbitrarily holding up the price of pork loins, we were losing very heavily on our whole hog business; and putting out this diagram showing just the price of pork loins and the price of live hogs gave an absolutely wrong impression of the actual circumstances.

Mr. McLaughlin of Nebraska. These heavy losses in August and September are like the profits you spoke of this morning, they are book losses, are they not?

Mr. Chaplin. They are the losses that were called profits previously, but they are real losses because we had borrowed money to carry this pork, and if we can not get the money out of the pork to pay these notes, we have got to take the money out of our profits and out of our bank account. In other words, we have got to borrow money to replace these losses.

Mr. Weld. But it is very true, as you say, that they are just the losses we anticipated to offset those paper profits earlier in the game.

Now, one other thing in this connection: The Federal Trade Commission had the audacity to claim that the drop in pork loin prices which finally occurred in November was due to the publicity that they had given to this circumstance, that pork loin prices had stayed up while the price of hogs had come down.

Of course, the real explanation of the drop in pork loin prices was the great increase of the receipt of hogs that took place at that time, and always does take place at that time, thereby increasing the supply of fresh pork loins on the market with the demand remaining approximately constant, and yet the Federal Trade Commission tells you that the drop in price in pork loins was due to the publicity that they had given to this circumstance.

Mr. Anderson. Does this first chart that you have handed us show the price of pork loins at New York?

Mr. Weld. No, sir; I have explained that the price of pork loins is not on there. I have that in this other chart, but I am assuming that the chart of the Federal Trade Commission gives an approximate picture of the price of pork loins and the fact that the price of pork loins did stay up and went up part of the time, but you see the great increase in the receipts of hogs at 20 markets last fall began in the latter part of October, and the great decrease in the price of pork loins began along in November as a result of that.

Another interesting thing in this connection——

Mr. Anderson (interposing). This second chart which you have handed around goes to show what?

Mr. Weld. That is supposed to——

Mr. Anderson. The receipts of hogs at 20 markets and the price of hogs at Chicago?

Mr. Weld. Yes; it shows both of those things. The curve running upward toward the right shows receipts and the other curve running downward shows the average price of hogs at Chicago.

Mr. Anderson. I understood you to say that this chart was supposed to show something about pork loins, and I do not see anything on it about pork loins.

Mr. Weld. There was not any need for anything of that sort to be on it. It shows that the great increase in hog receipts happened in

November, and that was the time, according to the Federal Trade Commission, of which I have a copy here, when the price of pork loins began to fall, substantially, although the Federal Trade Commission said that that fall was due to the publicity they had given to the fact that pork loin prices had stayed up.

Mr. ANDERSON. It seems to me that if that is what you wanted to show, you should have put the price of pork loins on here as well as the prices of hogs.

Mr. WELD. You can use the Federal Trade Commission price of pork loins and you can use my explanation in connection with that chart, and I might also say, in connection with this chart, I told you when I was discussing fluctuations that the prices of live animals did not fluctuate anywhere near as much as the receipts fluctuate, and this gives you a very interesting picture of that. You see how the receipts of live hogs fluctuate in this upper curve from week to week, whereas the price of hogs is very nearly a straight line as compared with the great fluctuations that occur in the receipts of hogs.

Mr. ANDERSON. I understood you to say that the decline of hog products was due to a falling off of exports. Do you happen to have a statement of the export of pork products by months?

Mr. WELD. No, sir; I have not, and I do not know how they look. All I know is this: We had anticipated a heavy foreign demand and bought accordingly, and all packers had, and the price of hogs had gone way up to 23 cents, and as a matter of fact, the European nations were buying stuff to a considerable extent up through July. It came about, however, that as much as the Europeans wanted our pork, they could not afford to pay for it. England, our heaviest purchaser, appointed a commission early in August. It renewed its food ministry, and I guess it was that which appointed a commission to do all the buying in the United States from then on.

That commission came over to this country and studied conditions. It announced that it had found enough in store in England afloat to last England for two or three or four months, and it would make no immediate purchases; would not enter the market for two or three months. That one circumstance was the most important thing that caused the slump in hog prices. A market that we had confidently looked forward to was practically taken away from us suddenly.

Mr. ANDERSON. I do not have those figures before me at this moment, but it is my impression, in fact, I am very certain, that the figures show that the total exports of pork and pork products for 1919 are very much in excess of the very high exports of 1918.

Mr. WELD. Well, I am not sure but what they may show an excess. Of course, the exports were extremely heavy, especially in the first half of 1919.

Mr. ANDERSON. As near as I can gather it from figures now before me, pork products, exclusive of lard, show an increase in exports in 1919 over 1918 of over 200,000,000 pounds, and about 250,000,000 pounds increase in lard exports. So on the basis of the total exports, there was apparently no reason for a drop in the price of hog or hog products.

Mr. CHAPLIN. It was just that circumstance that caused it—the heavy exports at the beginning of the year and the fact that the British found that they had more on hand than they thought they had, and it was suddenly realized at this particular time that they would not buy any more for months.

Mr. ANDERSON. That was merely a stock-market rumor.

Mr. CHAPLIN. No; it was a fact. It was not a rumor.

Mr. ANDERSON. I have a copy of a letter addressed to the chairman of the committee from Mr. J. J. Deady, who is evidently the special representative of Armour & Co., and who has an office at 403 Riggs Building, Washington, D. C., the letter being dated October 2, 1919, in which he explains this very remarkable maintenance of the prices of pork loins during the latter months of 1919, and his explanation does not seem to be quite on all fours with the one you have given, and with the permission of the chairman I would like to read this letter into the record. It is as follows:

OCTOBER 2, 1919.

Hon. GILBERT N. HAUGEN,
Chairman House Committee on Agriculture,
Washington, D. C.

DEAR SIR: Referring to joint meeting held with the delegates of Kansas live-stock men, led by Gov. Stubbs of that State on September 25, 1919, and in particular to chart made up by the Federal Trade Commission which was circulated at the meeting relative to fresh pork loin prices advancing in the face of a declining market on live hogs.

In behalf of Armour & Co. I beg to call your attention to the real situation. Agitation against the high cost of living, also the wide circulation given to the sale of surplus Army supplies, together with proposed legislation against the packers, has created a panicky situation in the industry, with the result that every packer in the business has curtailed his purchase of hogs to the lowest possible minimum.

There is nothing there about any formation of a British commission which refused to buy pork products.

This causes an inadequate supply of fresh pork cuts with the result that the demand exceeds the supply and consequently the effect is reflected in the higher prices of those particular cuts which includes pork loins. The selling price of any particular cut can not be judged according to the live price at which the hog is bought. The proposition that confronts the meat packer in selling hog products is to avoid a loss, therefore, according to good business methods, if the demand falls off on certain cuts with a consequent decline in selling prices on those cuts, the natural thing to do is to advance the selling price, if possible, on cuts where the demand exceeds the supply, such as fresh pork in this instance.

That is evidently what was done.

In this connection, we desire to call your attention to the appalling decline in the other products of the hog, namely, lard, bacon, hams and all cured meats, of from 10 to 15 cents per pound, so that these meats can not be marketed this season and packers are avoiding putting them into their cellars as those meats will doubtless sell very much lower during the winter months and would mean an irreparable loss.

That fear apparently was not entirely realized.

Producers are also about as panicky as the packers and are anxious to liquidate their hogs.

This does not seem to gibe with the facts.

This was emphasized by the committees of the live stock producing associations who have been in Washington recently putting up their situation. If there is any further information you desire on the subject, will be very glad to furnish same.

Very truly yours,

J. J. DEADY.

Now, as I say, that explanation does not quite agree with the explanation you have given.

Mr. WELD. It does not go as far as my explanation does, but if you want to question the validity of my explanation with regard to the foreign situation, I can furnish you with plenty of positive evidence as to the condition of foreign trade in August and September.

Mr. ANDERSON. Well, I should like very much to see, and of course it is easily procurable, a statement of exports during the months of August to December, 1919. As I say, I have not seen them and it may be that they show a falling off in the exports during that period, but the fact still remains that taking the entire year 1919 as a whole——

Mr. WELD (interposing). That has nothing to do with it.

Mr. ANDERSON (interposing). The export of pork products were about 400,000,000 pounds more than 1918, which was a record year.

Mr. WELD. That would not show anything unless you have it by months and unless you have our orders by months; in fact, I doubt if the August exports would show any decline because they were shipments on orders received in July. We also ship stuff abroad on our own account with the hope of getting rid of it over there, and that would be counted as exports but not as orders taken on our books, and I may inform you now that we have taken heavy losses on that on account of the foreign exchange situation and the fact that it was getting worse during the fall.

It is a matter of such common knowledge in the industry and in the trade that the foreign demand that was expected was not realized, and that that caused the slump in port prices or in hog prices, that it is absurd to try to argue otherwise. It is a commonly accepted fact.

Mr. ANDERSON. It still does not explain the maintenance of the price of pork loins.

Mr. WELD. I have explained the reason why the price of pork loins stayed up.

Mr. ANDERSON. So has Mr. Deady and he says that the reason the price stayed up was because when the price of hog products went down you advanced the selling price on loins.

Mr. WELD. We naturally get as much as we can for the product we sell, and in spite of trying to get the very best price we can, we barely came out with a very small profit of a fraction of a cent a pound. The quantity of pork loins during August and September, a fresh product of which there is no reserve stock practically, although there is little bit frozen, but we can not sell much frozen meat, as I said before, was low, and the domestic demand was heavy, and we got all we could for that which means a price just sufficient to clear the supply into consumptive channels, and we did that by ourselves and not in collusion with any other packer.

Mr. ANDERSON. You all seem to have about the same idea about what to do.

Mr. CHAPLIN. We are all on the same market and can not sell any cheaper or any higher than anyone else.

Mr. WELD. The prices of the different products from the hogs vary with respect to each other all the time; that is happening every day and every week. Lard will be going up and hams will be coming down or vice versa. Those things are happening all the time in accordance with the varying demand for the different goods or for the different pork products. It is the commonest occurrence in the world.

Mr. MARSH. Mr. Weld, about what proportion of your excess earnings during the three war years over the three preceding years did you lose in this slump in prices?

Mr. **Weld**. I do not know; that is hard to answer. Of course, we had no excess earnings. In excess of what we earned before the war, yes, although you must remember, of course, that our sales more than doubled and it required more capital and more borrowed money, the carrying of heavier inventories, etc., and that our profits during that time had practically no effect on prices, and that our prices were in line with the profits in other industries during the war. So far we have been able to weather it. We were afraid at one time we might not; that is, we came out and we were able to pay dividends last year. We ought to have made on the amount of business we did and the amount of capital we had, to be safe and doing a normal business for one of the most successful concerns in the industry, we ought to have made ten or fifteen million dollars in order to take care of the development of our business and build enough refrigerator cars. We can not afford to build the refrigerator cars we need at the present time.

Mr. **Marsh**. To be specific, your excess profits for the three war years over the preceding three years amounted to $66,973,000, according to your own figures. About what percentage of that did you lose?

Mr. **Weld**. You can not consider that an excess profit. If we had lost all that, we probably would go out of business, because we had to increase our capital and our volume of business and everything. You can not figure in that way and get at any just result.

Mr. **Marsh**. Well, that does not answer the question, if you do not mind. Then, taking your own definition, what was your loss in the sale of pork products and other meat products abroad during this last year as offsetting this $66,973,000?

Mr. **Weld**. I do not know. It is hard to figure. We lost, as I say, $10,000,000 on hogs in six weeks. We lost money on our cattle for the whole year, and we do not know how we are coming out this year. We can not tell for two or three years after the war how we come out as compared with the war period. We have not got on a stable basis or we have not got adjusted after the war yet. We do not know what is going to happen. We do not know how we are going to come out this year.

Mr. **Chaplin**. This $10,000,000 that we lost in six months is only a small part of the decline. It is only the beginning.

Mr. **Marsh**. Of course, net profit has nothing to do with the investment you had or your expenditure. Net profit is a net profit, and as I understand it, you claim to have lost somewhere around $15,000,000 or less than one-fourth of your excess war profit, as it is designated.

Mr. **Weld**. I do not like you to call that an excess profit. It is so only in a technical sense. It was a profit, as I have said, it is a paper profit, and in so far as we realized any profit at all, it was an absolutely essential one and had practically no effect on prices.

Mr. **Marsh**. The fact you were making such a profit is surprising to the average American citizen and certainly to every farmer.

Mr. **Weld**. Are there any other questions on that.

Mr. **Marsh**. Mr. Chairman, I received as managing editor of the Farmers Open Forum the following statement with reference to the campaign of the Department of Justice, for immediate publication in farm periodicals telling about this campaign to save money on the meats to eat, and I would like to ask if the packers are putting this out.

The **Chairman**. Is that the article that was placed in the record this morning?

Mr. **Marsh**. I think not.

The **Chairman**. In reference to the campaign for cheaper meat?

Mr. **Marsh**. It is with reference to the campaign for cheaper meat and the reason I raise the point is that it has been sent around to farm journals, and I would like to ask whether any of the representatives of the Institute of Meat Packers sent this out or whether they are cooperating with the Department of Justice, and I would like to have this go in the record.

The **Chairman**. Let us see if it is the same as was put in the record this morning. If it is, we do not want to put it in again.

Mr. **Marsh**. Certainly not. There are some questions in connection with it that I would like to ask, as to keeping up prices of cheap cuts of meat.

The **Chairman**. Is it the same statement that went in this morning?

Mr. **Wilson**. It looks to me at a distance like the same thing.

Mr. **Marsh**. I understand it is not the same thing.

The **Chairman**. If it is not, without objection, it will be put in the record.

(The statement referred to follows:)

Note to editor: The following statement by the Department of Justice is for immediate publication in farm periodicals. It is intended as an explanation and an assurance to the farmer and stock raiser that the department's efforts to reduce the retail price of meat will not have an adverse effect on his business. You are at liberty to change tenses in this story to conform to date of publication of your paper.

Farmers and stock raisers are directly interested in a Nation-wide campaign which has just been undertaken by the Department of Justice to increase consumption of fore-quarter beef cuts.

The general campaign is already under way and intensive educational efforts began March 22, which commenced "Save-Money-on-Meat-Week" in Illinois, Iowa, Wisconsin, Michigan, Ohio, Indiana, Pennsylvania, New York, and New Jersey.

Every farmer who raises beef animals has to produce fore quarters as well as hind quarters, and he has to put the same high-priced feed into both.

But city housewives, more than ever before, have been largely confining their purchases to porterhouse, club, and sirloin steaks. If they do buy fore quarter meat, it is sure to be prime ribs. The uneven demand makes these cuts higher in price, but, no matter how high they may go, there is no corresponding benefit to the producer, for he can not confine his production to porterhouse and sirloins. He must make chucks, plate, and clod, to which a majority of the housewives are indifferent.

The Department of Justice is trying to interest consumers in these palatable, wholesome cuts of the forequarter, and thus bring about a more even consumption demand The result will be a more even scale of prices, and better prices on the whole to the consumer all along the line, while live stock prices will not be affected.

If the department succeeds, the producer will have a market among housewives for all his beef. Of course the department is not directly concerned with any plan to increase beef consumption, for it will have achieved its aim if the distribution of meat is made economical and if consumers are made to see how they can help themselves by studying the different cuts of a beef carcass.

However, the fact that makes the campaign possible is that beef should actually be an inexpensive food; and as an inexpensive food its use would be greatly increased if an economic demand is developed. Consumers will learn how to get more good beef for less money than before, and the volume of beef consumption will be increased as a direct result.

This is an advantage to the consumer, but hardly less of an advantage to the producer. For a great many years there have been efforts to increase economy of production, but economy of consumption has been neglected. The quality of chucks, clods, and other forequarter cuts is so high, and their nutritive value so great, that the economy preached by the Department of Justice is entirely sound and bids fair to be a permanent and growing thing.

Mr. WELD. That is not true. The price of the finished meat product has come down with the prices of the live animals, approximately the same.

The CHAIRMAN. You have reference now to the wholesale price.

Mr. WELD. Yes, sir; that is all I know about, and all we had to do with.

The CHAIRMAN. But the general contention is that the retail price has gone up.

Mr. WELD. I have noticed figures of the Bureau of Labor Statistics up to and including, I think, last December, which showed that retail prices were coming down.

The CHAIRMAN. The last report, I think, was that they had dropped 1 per cent.

Mr. WELD. Showed that they had come down on meats.

The CHAIRMAN. One per cent, as a whole.

Mr. WELD. I do not know. I do not pretend to know anything about retail prices because we have nothing whatever to do with retail prices. I say that the wholesale prices have come down approximately, as the prices of live animals, and on our hogs, especially in the last few months, we have lost a tremendous amount of money.

The CHAIRMAN. The general contention is that the prices are continually going up?

Mr. WELD. I do not believe that is true even of retail prices.

The CHAIRMAN. I am referring to retail prices here in Washington.

Mr. WELD. All right; I know nothing about them, but the wholesale price has come down.

The CHAIRMAN. I am anxious to know to what extent the packers and the Department of Justice are cooperating in this movement in depressing the prices of live stock and the prices of the products of the farm?

Mr. WELD. The packers have had no form of cooperation to depress the price of live stock or the price of meat products.

The CHAIRMAN. In what way did they cooperate? You say they cooperated.

Mr. WELD. In this matter of trying to get people to demand the cheaper cuts.

The CHAIRMAN. That is what Mr. Hoover did in respect to flour, was it not, with the result that 5,000,000 barrels of flour are now being unloaded on the Government.

Mr. WELD. I do not know about that.

The CHAIRMAN. Is it proposed now to unload the cheap cuts on the consumers or the Government as was done in the wheat transaction?

Mr. WELD. No, sir; the Government still has enough meat on its hands to get rid of.

The CHAIRMAN. We were told here not very long ago by representatives of the packers that certain cuts were being sold at about 3½ cents a pound?

Mr. WELD. That certain cuts are being sold by whom?

The CHAIRMAN. By wholesale. Tongue, for instance. Mr. Newman, of Illinois, stated that millions of pounds of certain cuts were held in cold storage and that there was no market for the cheaper cuts.

Mr. WELD. The packers or the Government or whom?

stuff would be sold out and then some people would have to go without. The price comes about on every cut through competition, so the supply of that cut or that quality is just cleared into consumptive channels. That is where competition adjusts the price, and if the demand for cheaper cuts or for the inferior cuts is increased perceptibly, there would be an increase in the price to a point which would just be sufficient to make the consumptive demand clear up the available supply at any one time.

Mr. MARSH. Of course, there is no such thing as overproduction. it is underconsumption, and they can reduce the price to increase the consumption.

Mr. WELD. I do not believe you understand what is meant by overproduction. You ought to have gone through for that degree and you would have found out.

Mr. MARSH. Apparently I went far enough to understand what the packers mean by manipulating production.

Mr. WELD. Well, there is no manipulation and it does not do you any good to say that because I will come back every time you say it.

Mr. MARSH. I know, but I come back, too, for the people in the country who are to-day the producers as well as the consumers.

Mr. WELD. Is there anything more on this pork loin situation?

The CHAIRMAN. I understood you to say you had been cooperating with the Department of Justice to reduce the cost of living on these products.

Mr. WELD. I so understand. I do not know anything about that.

The CHAIRMAN. I understood you to say so.

Mr. WELD. Yes.

The CHAIRMAN. To what extent?

Mr. WELD. I do not know, sir.

The CHAIRMAN. Did you cooperate with the Department of Justice in bringing down the price of live stock last year?

Mr. WELD. No, sir; nor in bringing down the prices of meat in which we lost $10,000,000 in six weeks.

The CHAIRMAN. You are familiar with the President's statement that he would do everything to depress the prices. The President in his address August 8 in speaking of wheat said, "Wheat shipments and credits to facilitate the purchase of our wheat can and will be limited and controlled in such a way as not to raise but rather to lower the price of flour here. The Government has the power, within certain limits, to regulate that."

Mr. WELD. Yes, sir.

The CHAIRMAN. You are aware of the fact that loans in the Federal reserve banks were called?

Mr. WELD. So I have heard; but not in the cattle loan companies in which the packers are interested.

The CHAIRMAN. The Government has nothing to do with the packers' business, but it did have something to do with the Federal reserve banks.

Mr. WELD. Yes, sir.

The CHAIRMAN. The loans were called; 32 people who came here from Kansas said that it depressed the price. The price of live stock fell considerably. My information is that the price of the finished product has gone up.

Mr. WELD. That is not true. The price of the finished meat product has come down with the prices of the live animals, approximately the same.

The CHAIRMAN. You have reference now to the wholesale price.

Mr. WELD. Yes, sir; that is all I know about, and all we had to do with.

The CHAIRMAN. But the general contention is that the retail price has gone up.

Mr. WELD. I have noticed figures of the Bureau of Labor Statistics up to and including, I think, last December, which showed that retail prices were coming down.

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Mr. WELD. The packers have had no form of cooperation to depress the price of live stock or the price of meat products.

The CHAIRMAN. In what way did they cooperate? You say they cooperated.

Mr. WELD. In this matter of trying to get people to demand the cheaper cuts.

The CHAIRMAN. That is what Mr. Hoover did in respect to flour, was it not, with the result that 5,000,000 barrels of flour are now being unloaded on the Government.

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The CHAIRMAN. Is it proposed now to unload the cheap cuts on the consumers or the Government as was done in the wheat transaction?

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The CHAIRMAN. We were told here not very long ago by representatives of the packers that certain cuts were being sold at about 3½ cents a pound?

Mr. WELD. That certain cuts are being sold by whom?

The CHAIRMAN. By wholesale. Tongue, for instance. Mr. Newman, of Illinois, stated that millions of pounds of certain cuts were held in cold storage and that there was no market for the cheaper cuts.

Mr. WELD. The packers or the Government or whom?

The **Chairman**. The representatives of the packers and Mr. Newman told the committee. A number of them were here at the same time.

Mr. **Weld**. I do not know what you refer to—the wholesale price obtained by the packer?

The **Chairman**. I am now referring to the wholesale price. I was first referring to the retail price.

Mr. **Weld**. I do not know about that.

The **Chairman**. What do you know about it?

Mr. **Weld**. My knowledge of the retail price?

The **Chairman**. The wholesale price of the cheaper cuts.

Mr. **Weld**. What do you want my opinion on?

The **Chairman**. It is a drug on the market, is it not?

Mr. **Weld**. It has to be sold at a much cheaper price in order to make it move.

The **Chairman**. And you are trying to make it move?

Mr. **Weld**. Yes, sir.

The **Chairman**. And the Department of Justice is assisting you and cooperating with you?

Mr. **Weld**. Oh, if you want to put it——

The **Chairman** (interposing). You said you were cooperating. Now, let us get down to brass tacks, then we will find out what this cooperation is and who is responsible for it.

Mr. **Weld**. Cooperating to get the people to ask for the inferior cuts, instead of always insisting on the choicer cuts, which constitute only 10 or 15 per cent or 20 per cent of the animal.

The **Chairman**. But some one representing the packers also stated that the consumers were not buying the cheaper cuts. That statement has been made a number of times, that the consumers would not buy the cheaper cuts. They would not buy them any more than they would the 90 per cent flour. They want the best quality. The contention is that they have so much money that they are buying only the very best.

Mr. **Weld**. Yes; We are trying to get them to buy the inferior cuts: anything wrong with that?

The **Chairman**. They tried to do that with reference to flour. It resulted in the Government having to take over 5,000,000 barrels of flour, which can not be sold elsewhere.

Mr. **Weld**. I do not know anything about the flour.

The **Chairman**. They would not buy it and they will not buy the cheap meats.

Mr. **Weld**. They will buy the cheap meats because competition will force us to sell it at such a price as will move it, as we have always done.

The **Chairman**. You have been trying to sell it all this time; you have not been able to unload it?

Mr. **Weld**. We sell it right along all the time.

Mr. **Chaplin**. There is no stock of these cheaper cuts. That is beef. and it is sold within a week or two after it is killed.

Mr. **Weld**. It is always sold right along.

Mr. **Chaplin**. There is no accumulation to be disposed of.

The **Chairman**. Take the pickled meat, the tongues and the frozen meat; they are kept for considerable time, are they not?

Mr. **Chaplin**. Yes; but this campaign has to do with the cuts of beef.

Mr. **Hutchinson**. The packers do not sell the various cuts.

The **Chairman**. They will sell it any way you want to buy it, either in cuts or the whole carcass.

Mr, **Hutchinson**. Do the packers cut up the beef?

Mr. **Weld**. We cut it up into certain wholesale cuts, loins, chucks, and so forth, but nothing like the cuts that the retailer sells to the consumer. I know in hearings before the District of Columbia Committee last summer on the high cost of living, we submitted a list of every single sale of a cut of beef for, I think, a week, which showed one loin, so many pounds, at such a price. We gave the ticket number from which could be traced the name of the retailer to whom that cut was sold. You will find in those hearings before the District of Columbia Committee last summer our actual sales of those beef cuts to retailers for one week, which gives you a very good idea of the extent to which the beef is cut up into wholesale cuts.

Mr. **Hutchinson**. Is it not a fact that producing these cheaper cuts tends to restrain consumption. In other words, the retailer may have a cheap price on these cheap cuts, and therefore the people will not buy it at all.

Mr. **Weld**. That has been known to occur, but I rather think that is exceptional. We have heard of cases from some butchers who said that in order to make their cheap stuff move they would have to increase the price so they would think it was good stuff, but I think that is exceptional, and for instance, in Chicago, for example, outside of the best residential sections, I am sure that that could not or would not happen, that the cheaper cuts sell at a low price as compared with the price of the choice cuts.

Mr. **Hutchinson**. I happened to be home on Saturday and was in conversation with a party of retailers in fish and meat both, and one of them was the largest fish dealer in my town, and he related a story about people who come in to buy, and he was selling haddock at 16 cents a pound and the customer would say that they were no good, and would then go and pay 50 cents a pound for perch, and people say that that is the trouble with the times, that everybody seems to have lots of money and they are paying high prices and that the dealers have not any sale for the cheaper goods, and naturally they have got to make more money on the high priced stuff in order to make up what they lose on the other.

Mr. **Chaplin**. In any event, this campaign is not to help the packer. It is to help the retail dealer.

Mr. **Weld**. And the consumer.

The **Chairman**. What about the producer?

Mr. **Chaplin**. It does not affect the producer very much.

The **Chairman**. You cooperated with the Food Administration. About 50 packers came down here, and fixed the ratio of corn and pork.

Mr. **Weld**. I do not remember that the packers had much to say.

The **Chairman**. They fixed it at 13 to 1 and suggested it would be necessary to make it 14 to 1 in order to stimulate production.

Mr. **Weld**. That was done. I do not remember that the packers had anything——

The CHAIRMAN (interposing). Let us find out something about this cooperation. Let us find out who is hurt by this cooperation. What happened as a result of the ratio of 13 to 1?

Mr. WELD. I do not think the packers had anything to do with bringing about that arrangement.

The CHAIRMAN. If you will turn to page 1234 of the Senate hearings. You are familiar with the correspondence signed by the various packers—there were about 50 of them who signed these letters—and also a letter from Mr. Hoover's printed.

Mr. CHAPLIN. But they did not determine that ratio.

The CHAIRMAN. They had a conference in Washington and fixed the ratio at 13 to 1—13 pounds of corn to 1 of hog—but the price was fixed differently. The price of corn was $2 a bushel. 13 times 2 is 26, but the price of hogs was $15.50. Later on you agreed on $16 and still later on $17.50. That was your conference. The farmer got about $10 a hundred less for his hogs than the ratio fixed and agreed upon.

Mr. WELD. We had nothing to do with fixing that ratio or with fixing the price of the hogs. We agreed to buy not under a certain minimum price and most of the time——

The CHAIRMAN. There are some 28 or more pages of it. I do not want to take time to read it, but the correspondence is here.

Mr. WELD. And most of the time we paid considerably more than the minimum price set by the Food Administration.

The CHAIRMAN. Oh, yes; of course. But you never paid the $26 that the farmers were entitled to nor the $30——

Mr. WELD. We paid all——

The CHAIRMAN (continuing). Under the arrangement and agreement entered into?

Mr. WELD. We paid all the stuff was worth in the form of meat and by-products.

The CHAIRMAN. But you did not pay up to the agreement.

Mr. WELD. We entered into no agreement to pay on the basis of 13 to 1. We made no agreement or no promise to do so.

The CHAIRMAN. The ratio was fixed. You subscribed to it. They guaranteed to you that if you would pay the price, they would see you got the raise.

Mr. WELD. Are you trying to make out——

The CHAIRMAN (continuing). And Mr. Glasgow stated that they had the power to fix the price and that the agreement was made.

Mr. WELD. Are you trying to make out that we made an agreement on that and did not live up to it?

The CHAIRMAN. The Food Administration and the packers—not you individually. I am talking about both the packers and the Food Administration as well as the agreement entered into, the ratio fixed, the price that was obtained, the value of the corn, what they were entitled to, and what they got.

Mr. WELD. What was the value of the corn—the Chicago price?

The CHAIRMAN. Most of the feeders paid about $2.

Mr. WELD. Was not the basis the Chicago price of the corn?

Mr. CHAPLIN. Do you think——

The CHAIRMAN (interposing). I want to know about this arrangement you are making here with these Government officials. It seems that you did very well under Mr. Cotton and under the Food Administration.

Mr. **Weld**. I beg your pardon; we had a very poor year under Mr. Cotton and under the Food Administration.

The **Chairman**. What year was that?

Mr. **Weld**. 1918, and it was very, very poor. We made about 11 per cent. We made about a normal year.

The **Chairman**. The reports show you made 26.1 per cent. You have been telling us about five and a fraction per cent.

Mr. **Weld**. On our investment, Swift & Co. made a little over 11 per cent that year.

The **Chairman**. Your investment was $169,965,000 and you are reported to have made 26.1 per cent. You have been talking about 5½ per cent or 6 per cent.

Mr. **Weld**. Mr. Chairman, you are getting figures mixed up. That 5.6 per cent is what the Food Administration reported what the five large packers made on total capital employed, including borrowed money in the meat department.

The **Chairman**. You were telling us yesterday that 9 per cent was the maximum figure.

Mr. **Weld**. Nine per cent.

The **Chairman**. You are now saying you made how much?

Mr. **Weld**. The five large packers are reported to have made 5.6 per cent and Swift & Co. 7.5 per cent.

The **Chairman**. On the borrowed money?

Mr. **Weld**. On the total capital employed, including borrowed money.

The **Chairman**. Can you state a single instance where other people were allowed to fix profits on borrowed money? Has that ever been figured as capital investment? Can you cite a single instance?

Mr. **Chaplin**. Yes, that is a reasonable proposition. If they had not allowed us to include borrowed money they would have to allow us a higher rate than 9 per cent. It would have made no difference.

The **Chairman**. Well, cite it. If it is reasonable, I am asking you to cite a single instance.

Mr. **Weld**. You have now opened up another subject. That is, the Food Administration's determination of that basis. If you want us to go into that and what we know about it, we will be very glad.

The **Chairman**. I would like to know something about your arrangement with the Department of Justice. I know about your arrangements with the Food Administration. I have the documents here.

Mr. **Weld**. I should judge that you have a wrong view about our cooperation with the Food Administration, and all I can say in connection with this cooperation with the Department of Justice is that in the first place I know nothing of the details, but in so far as we are cooperating it is to help develop a greater demand for the inferior cuts of meat, which I consider a perfectly reasonable and praiseworthy thing to do.

The **Chairman**. You said yesterday that the maximum profit was 9 per cent. If you will take that report you will find that it was 26.1 per cent.

Mr. **Weld**. That is absolutely wrong.

The **Chairman**. I asked you to point out one single instance where borrowed money is considered as invested capital and where a guarantee is made on borrowed capital.

Mr. Weld. In the first place, there is no guaranty.

The Chairman. You are getting away from it. The maximum is fixed at 9 per cent?

Mr. Weld. Yes, sir.

The Chairman. But it proved to be a great deal more than 9 per cent?

Mr. Weld. No, sir.

The Chairman. On the capital invested?

Mr. Chaplin. No, sir; that is wrong.

Mr. Weld. It was 9 per cent allowed by the Food Administration on the capital and surplus and borrowed money, and on the basis of the Food Administration they determined that we made only 5.6 per cent.

The Chairman. Was Mr. Cotton ever employed by any of the Big Five?

Mr. Weld. He never had any connection with the Big Five.

The Chairman. Was he not the attorney for Morris & Co. at one time?

Mr. Weld. What is that?

The Chairman. Was he not the attorney of Morris & Co. at one time?

Mr. Weld. No, sir.

The Chairman. Was he the attorney for any of the packers?

Mr. Weld. No, sir.

The Chairman. Your profits in 1917, according to the report. were 33 per cent?

Mr. Chaplin. For 1918 we did not do very well.

The Chairman. 26.1 per cent according to this report.

Mr. Chaplin. On the meat business, we did not do very well.

The Chairman. Swift & Co.?

Mr. Chaplin. You were talking about when we were under the Food Administration control.

The Chairman. I am talking about Swift & Co. Here is the report.

Mr. Chaplin. In 1917?

The Chairman. Yes. That is 33 per cent?

Mr. Chaplin. Yes, sir; that is mostly paper profits.

The Chairman. How about the 26.1 per cent; is that paper profit, too?

Mr. Weld. The profit in 1918, is that?

The Chairman. Yes.

Mr. Weld. The profit for 1918 was about 11 per cent.

The Chairman. I am talking about Swift & Co.

Mr. Chaplin. The profit was 11.2 per cent on the capital and surplus.

The Chairman. What is the capital?

Mr. Weld. At the end of 1918 the capital was $150,000,000 and the surplus was somewhere around $50,000,000 or $60,000,000.

The Chairman. It is given here as $169,195,000.

Mr. Chaplin. It was about $180,000,000 of capital and surplus.

Mr. Anderson. How about the stock dividends, have you included those?

Mr. Weld. This is the entire earnings for the year. The stock dividends covered earnings for 20 years prior to that time.

Mr. **Anderson.** Did the stock dividends the next year also represent the earnings for the 20 years prior?

Mr. **Weld.** We explained that fully yesterday; we went into it very carefully.

Mr. **Chaplin.** It did not have anything to do with the earnings on the meat products.

The **Chairman.** Let us discuss this point. Swift & Co. earned 26.1 per cent?

Mr. **Weld.** Our profit in 1918 was about 11 per cent on our total investment; that is, after taking out the excess profits and taxes.

Mr. **Hutchinson.** May I ask you a question?

Mr. **Weld.** Certainly.

Mr. **Hutchinson.** When you speak about Swift & Co. you mean all the business they are in?

Mr. **Weld.** Yes, sir.

Mr. **Hutchinson.** Fertilizer?

Mr. **Weld.** Yes, sir.

Mr. **Hutchinson.** And everything?

Mr. **Weld.** Yes, sir.

Mr. **Hutchinson.** You might lose money on one branch and make it up in another?

Mr. **Weld.** That happened last year; yes, sir; we lost money on beef and made money in the other departments.

Mr. **Tomlinson.** How much did you make on hogs last year?

Mr. **Weld.** I do not know. I stated yesterday that if the total profit made on hogs, calves, sheep, and cattle, including fertilizer and everything else, had been stated as made on hogs alone, it would have been less than $2 a head. I stated that yesterday.

Mr. **Marsh.** How rapid was the turnover?

Mr. **Weld.** I had planned to go into that, but I will be glad to take it up now if the committee desires.

The **Chairman.** Let me read from the report, page 14.

Mr. **Weld.** What report?

The **Chairman.** The report on profiteering, Sixty-fifth Congress, second session, Senate Document No. 248, under date of June 29, 1918:

> These great increases in profits are not due solely to increased volume of business. The sales of these companies in this period increased 150 per cent, much of this increase being due to higher prices rather than to increased volume by weight, but the return of profit increased 400 per cent.

What becomes of the 5.6 per cent and the 11 per cent?

Mr. **Weld.** It has nothing whatever to do with that.

The **Chairman** (reading):

> The profit taken by Morris & Co. for the fiscal year ended November 1, 1917, is equal to a rate of 18.6 per cent on the net worth of the company——

Mr. **Chaplin** (interposing). 1917?

The **Chairman.** Yes.

Mr. **Chaplin.** 1918 is the Food Administration year.

The **Chairman.** There was no government control in 1917?

Mr. **Weld.** No, sir.

The **Chairman.** Let me read further from the report——

Mr. **Weld** (Interposing). There was no profit limitation until the first of November, 1917. The Food Administration year was from November 1, 1917, to November 1, 1918.

The **Chairman**. That is exactly what I said.

Mr. **Chaplin**. The fiscal year.

The **Chairman**. The fiscal year?

Mr. **Chaplin**. The fiscal year and the Food Administration year are exactly the same.

The **Chairman**. When did the fiscal year begin?

Mr. **Chaplin**. The first of November.

Mr. **Weld**. I think that refers to the calendar year.

The **Chairman** (reading):

"Thus Armour in 1916 raised its capital stock from twenty million dollars to one hundred millions without receiving a dollar more of cash. If Swift, Wilson, Cudahy, and Armour had followed the practice of Morris in not capitalizing their surpluses (accumulated from excess profits), they too would now show an enormous rate of profit on their original capital."

Mr. **Weld**. That is put forth as though it were an illegitimate thing to do. It is done in every business in the United States and always will be done, capitalization of surplus.

The **Chairman** [reading]:

> Rates of profit earned by these five companies in war years compared with the prewar average, based on net worth (capital and surplus) and on common stock, are as follows:
>
> "Prewar average, 1912–1914: Armour, 6.2 per cent; Swift, 8.3 per cent; Morris 6.8 per cent; Wilson, figures not available, and Cudahy, 7.3 per cent, but when it gets down to 1917 it is Armour, 27.1 per cent; Swift, 47.2 per cent; Morris, 263.7 per cent; Wilson, 42.5 per cent; and Cudahy, 47 per cent."

Mr. **McLaughlin** of Michigan. What are those figures?

The **Chairman**. Those are the rates of profit earned by the five companies in war years compared with the prewar average, based on net worth (capital and surplus) and on common stock. In other words, Armour increased from 6.2 per cent to 27.1 per cent, Swift from 8.3 per cent to 47.2 per cent, Morris from 6.8 per cent to 263.7 per cent—a pretty fair increase—Wilson to 42.5 per cent and Cudahy from 7.3 per cent to 47 per cent.

Mr. **Chaplin**. That is on the capital alone, you have not included the surplus, which is also used in the business.

The **Chairman**. The heading is:

> Rates of profit earned by these five companies in war years compared with the prewar average, based on net worth (capital and surplus) and on common stock, are as follows:

That is the cooperation of these various concerns.

Mr. **Weld**. Mr. Chairman, what is it that you want to know?

The **Chairman**. I should like to know something about this cooperation with the department. It seems to have resulted in big profits to the packers and half prices to the farmer?

Mr. **Weld**. There was no cooperation.

The **Chairman**. You said that there was cooperation?

Mr. **Weld**. Not when these large profits were made, sir.

The **Chairman**. You are talking about 5.6 per cent and 11 per cent profits, when the commission's report shows profits of 27.1 per cent, 47.2 per cent, 263.7 per cent, and so on?

Mr. **Chaplin**. That is on the capital, it is noton the capital and surplus.

Mr. **Weld**. Have you reference to the 263 per cent?

The **Chairman**. That is exactly what I am talking about, rather unusual and unheard of. You have not been able to point out a single instance where dividends have been based upon borrowed capital?

Mr. **Weld**. Of course, dividends are not based on borrowed capital.

The **Chairman**. You say they are not?

Mr. **Weld**. The dividends are not.

The **Chairman**. In cooperation of the department and the packers is the only time that that rule is applied?

Mr. **Weld**. I do not know how much cooperation you would call it.

The **Chairman**. Here are the results attained under this cooperation. I should like to clear the Government, or if there is something wrong let us know about it. It is time that we knew something about what is going on.

Mr. **Rainey**. The other day when you or some one else was on the stand it was stated that Morris & Co. were capitalized for $3,000,000, but they had been using many millions in excess of this $3,000,000 in their business, which accounted for this dividend of 263 per cent. This dividend is not for one year but is the accumulation of a great number of years, as I understand it.

Miss **Haver**. I should like to ask a question about the cooperation with the Department of Justice. This is very interesting to the consumer. We understood that the reason why the cheap cuts are not sold is that the consumer does not demand the cheap cuts, and yet Mr. Weld says that the cheap cuts in the past have been sold right along, and then he said that if a demand were created for the cheaper cuts the price of the cheaper cuts would be raised. Is there not an opportunity there for the packers to make a great deal of money as a result of a great campaign which would increase the demand so that the price of the so-called cheaper cuts might be raised, as you say it will be raised when the demand is created?

Mr. **Weld**. That is always the effect on any commodity.

Miss **Haver**. And the consumers are running this great campaign which will actually result in an increased price instead of a decreased price; is not that the effect?

Mr. **Weld**. I said that if a demand for the inferior cuts was perceptibly increased, that that would undoubtedly have the effect of raising the price of the cheaper cuts.

Miss **Haver**. It will not really lower the cost of living?

Mr. **Weld**. It will bring down the price of the choice cuts.

Miss **Haver**. They are the smaller proportion of the cuts, and so the profit will be greater because the greater proportion is made up of the cheaper cuts, and so the packers will make more in the end than they are making now?

Mr. **Weld**. They will not make a cent more, because the competition would force them to pay just so much for more the live stock. If it has that effect it will benefit the live-stock producers.

Miss **Haver**. For which we should be very glad.

Mr. **Weld**. So would we.

Miss **Haver**. We do not care to do anything that looks as though it would help the producer which really will help the packers. The greater proportion of the animal is in the cheaper cuts and if all of those cheaper cuts are increased it looks to me as though the campaign will really benefit the packers.

Mr. **Weld**. It will have no effect on the profits of the packers. Competition will force us to pay just so much more for the live animals. As to whether this campaign is advisable, if it does result in a greater demand for the inferior cuts, it will raise their price, as the demand always increases the price of any product in any competitive market. If it does, personally I think it may not be a good thing for the poor people. I will admit that so far as its having any effect on our profit is concerned, it has not the slightest effect. We are interested in cooperating with any agency that is trying to bring about something that looks like it would be a good thing for the people at large. I think there is room for difference of opinion as to whether this campaign is a good thing or not. I thing that probably all people will agree that it is a good thing to increase the demand for the cheaper cuts among the people in poor circumstances who insist on buying the higher priced cuts. It would be a great deal better if they bought the cheaper cuts and learned how to cook them as they do over in France.

Miss **Haver**. The cheaper cuts are not cheap; that is the trouble, you see. They have to cook them all day. They have to use gas to get them prepared to eat. The result is that they are not cheap after the time and fuel are used to prepare them, and that is one reason they do not buy them. If this campaign is not going to help the poor people, after all, and those are the ones we are most interested in, it seems to me the consumer should cease to cooperate with any such campaign as this fair-price committee has inaugurated. That is what I want to know, if it was going to help the people who were the poorest, having the greatest struggle to feed their children as they should be fed. If it is not going to help them we should not lend ourselves to any such campaign. What do you think?

Mr. **Weld**. On the other hand, as the poor people do insist on having the better cuts, I think it would be good to get them to change to the poorer cuts. What you say may be true, that the poorer cuts are not so cheap after all, because it costs more to cook them. I think between a beef chuck at 30 cents and surloin at 60 cents there would be a considerable saving to the poor family in buying a 10-pound chuck, for a big family, and cooking it, even if they had to use the gas all day.

Miss **Haver**. You see, when you buy a chuck roast you buy the bone along with it and a lot of fat and you have to cook that all day. By the time you simmer it all day there is not much left; that is the trouble.

Mr. **Weld**. If that is true, if it is not cheaper in dollars and cents, if you can prove that is true, I think that the whole campaign is very questionable.

Miss **Haver**. If you really made them cheap it would be worth while going to the trouble of trying to use them. They are not cheap today; the are very high; so close to the better cuts that by the time you have cooked them there is not any saving. If you really made the cheaper cuts cheap you would not have any trouble in having the people eat them. The poor family does not eat any meat; they can not afford to buy it. You have only to go down to the market here and see the women with their market baskets passing by the meat stands. If the meat were cheap enough I think you would find them buying it.

Mr. **Weld**. It has been our experience, in so far as we have studied the problem of the retailers, to whom we sell, that the retailers who serve the working class in the poorer sections of the city have been buying more meat in the last two or three years than ever before.

Of course, we sell a large part of our stuff in the whole carcass. We will sell a side of beef for 20 cents and he gets for the different cuts all the way from 20 cents up to 50 cents or 60 cents. In so far as the differences in price are not carried through in the retail store, I had supposed, they were, if they are not, it is unfortunate. If, after the expense of cooking, there is no saving figured out, I am perfectly willing to agree with you that this whole campaign is not worth while. I have always had an impression myself, however, that it would have the effect of getting the poor people that we have heard of to eat the cheaper cuts, but we have known of so many instances where relatively poor people insist on having 60-cent porterhouse where they would be very much better off if they bought a cheap cut.

Mr. **Voigt**. It is true that this campaign will not benefit the poor man who is already using the cheaper cuts of meat?

Mr. **Weld**. I think that is true; yes, sir.

Mr. **Voigt**. And it will raise the price of meat?

Mr. **Weld**. If it really is effective, that is, has any effect on the demand, it will increase the price of the cheaper cuts, because demand always increases the price of any commodity in a competitive market.

Mr. **Voigt**. If this campaign is successful, the meat bill of the American public is going to remain exactly the same?

Mr. **Weld**. For the people as a whole, I should say practically the same. I agree with you that the poor family that is now buying the cheap cuts it will not benefit, but the poor family that insists on getting the expensive cuts, I think it will.

Mr. **Voigt**. They will be benefited at the expense of the poor family which is now using the cheap cuts?

Mr. **Weld**. As a practical proposition, I do not believe that this campaign will ever have any such effect as to increase the demand for the cheaper cuts of such an extent that it will ever be noticeable in the price. I do not believe that it can have effect enough to make a difference in the price of these inferior cuts and yet I think that it can do some good in getting a good many people to shift from these choicer cuts to the cheaper cuts, but I do not think that the switch will ever be sufficient to have a marked effect or possibly a noticeable or measurable effect on the price. If you will look at it that way that brings it down to effect relatively on a few people, possibly without very much danger of its doing anybody any harm. I have never figured it out in my mind as much as I have to-day; it is an interesting proposition.

Mr. **Voigt**. If the campaign were so successful as to influence any the perceptible percentage of the people of this country it would raise price of the cheaper cuts of meat?

Mr. **Weld**. If it should substantially increase the demand for those cuts, yes, sir; but I do not believe that it will have any such effect, that there will be a noticeable difference in the price.

I might say that Swift & Co. would be glad to cooperate with anybody who is working along trying to solve these problems. We would be very glad to talk those problems over with the Consumers'

League or any other organization and to give our help in solving the problem; we would be tickled to death to do that.

Mr. VOIGT. You gentlemen have used the term "paper profits" considerably in the last day or two. Is it not true that the profits of all large concerns in this country are paper profits in the same way that your profits are?

Mr. WELD. No; it is not. I have in mind a certain company that during the war turned out a metal product and delivered it just as fast as it could turn it out of the mill. They had to carry no stock of goods, and they paid 12 per cent dividends per month to the stockholders. During at least two years, I know during the war, they were realizing cold cash every month. There were a lot of concerns in the same condition.

Mr. VOIGT. You are taking a very exceptional case.

Mr. WELD. I do not know that that was an exceptional condition in the war industries, and I think a good many did the same thing.

Mr. VOIGT. What is the use of speaking of a thing like that? You are enough of a business man to know that that is a very exceptional case.

Mr. WELD. I think the size of the profit was exceptional, but there were many concerns that turned out a finished product that was delivered as soon as turned out. We buy hogs to-day and we put 90 per cent of the meat into cure, and it stays there from six weeks to three or four months before we can sell it.

Mr. VOIGT. Can you name a dozen concerns in the whole United States that made money in 1918 or 1919 that have the amount of their profit in cash on hand?

Mr. WELD. You mean that have the profit made during the year in cash on hand?

Mr. VOIGT. Yes, sir.

Mr. CHAPLIN. Most any concern that was working on a cost-plus basis for the Government.

Mr. VOIGT. Ninety per cent of the business concerns when they make a profit, have they not put it back into the business in some form or other?

Mr. CHAPLIN. Yes; but it may not be tied up in inventories—in inventories that are subject to depreciation.

Mr. VOIGT. Take the United States Steel Corporation, which is the largest corporation in the country; is there any difference between you and that corporation?

Mr. CHAPLIN. Yes; it owns the mines from which it gets its raw material.

Mr. WELD. That is a very important difference.

Mr. CHAPLIN. Those did not go up in price, they are on their books at what they used to be. They will not suffer any depreciation on those goods. They will suffer depreciation, perhaps, in the material process of manufacture, which is a smaller item with them with relation to their profits than ours is. We have a much larger stock in relation to our profits than they have, and a stock which fluctuates severely.

Mr. VOIGT. The United States Steel Corporation, we will say, made seven hundred million dollars or a billion dollars in profit for the year. How much of that do you think they had on hand in cash at the end of the year?

Mr. CHAPLIN. The point is how much of it is tied up in stocks of goods, and what is the probability of their being able to carry the stocks of goods from the present high point to the point from which they started without severe loss.

Mr. VOIGT. You gentlemen seem to fear that this paper profit is going to shrink?

Mr. CHAPLIN. It has begun to shrink.

Mr. VOIGT. According to your contention, you entertain that fear every year, do you not?

Mr. CHAPLIN. We entertain every year that fear since we reached the extremely high point in values.

Mr. VOIGT. In every year in the past few years you have made good money?

Mr. CHAPLIN. Except the last year.

Mr. VOIGT. And you have hesitated to issue stock for your so-called paper profit, have you?

Mr. CHAPLIN. No, sir; we did not issue stock.

Mr. WELD. There was no stock issued against that profit at all, sir—against accumulated past profits and the increase in value of our physical properties.

Mr. VOIGT. I understand you have simply taken your capitalization, or a part of your surplus, and by a roundabout method have issued stock for it?

Mr. WELD. By no roundabout method; a perfectly open and above board method employed in every industry.

Mr. VOIGT. I do not say it is not open and above board. You said yesterday that Mr. Swift had insisted upon the new stock being paid for in cash?

Mr. WELD. Yes; that was a hobby of old Mr. Swift.

Mr. VOIGT. You admit yourself that the effect of that transaction was the issuance of a so-called stock dividend.

Mr. WELD. Yes, sir; in 1916.

Mr. VOIGT. So the payment of that cash was a superflous transaction?

Mr. WELD. Yes, sir; that is what I have said. Of course, not everybody turned that cash back to buy the stock, but most of them did, and to all intents and purposes that is what it amounted to—a stock dividend.

Mr. VOIGT. Now, you do not hesitate to issue what in effect is a stock dividend and then add that much to your capitalization?

Mr. WELD. We do not hesitate by way of a stock dividend, to increase our capitalization when our capitalization is much less than our net worth. That is, when we have a surplus invested in the business that has not been capitalized, and when we see or believe that we will be able to pay dividends on the new capitalization. Now, Morris & Company has not done that. Its capital has remained at $3,000,000 for 20 years or more, while its net worth has increased 20, 30, or 40 million dollars. It would be perfectly justified, and I think it would probably be good business practice as recognized by most corporations, to declare stock dividends to capitalize its surplus.

Mr. VOIGT. I do not want to be understood as condemning your practice; I think that is an everyday occurrence—the declaration of a stock dividend in the same circumstances. The point I am trying to make is that you do not hesitate to take your so-called paper profits and turn them into capitalization?

Mr. WELD. No, that is not true; we do not do that. Those paper profits in 1916 and 1917 were not turned into capitalization, into stock dividends, at all. We do not consider those as earned.

Mr. CHAPLIN. Taking our present inventory and assuming that we have the same quantity of goods on hand right along, we feel that there will be a shrinkage in the value of those goods of 75 or 80 million dollars by the time values get down to where they started from. It may take several years. Now, the question in our minds is, how much of this 70 or 80 million dollars are we actually going to lose?

Mr. HUTCHINSON. May I ask you a question there? How much stock does Swift & Co. generally carry?

Mr. CHAPLIN. About $200,000,000.

Mr. HUTCHINSON. That is, all the time?

Mr. CHAPLIN. Yes, sir.

Mr. HUTCHINSON. When did the price begin to rise?

Mr. CHAPLIN. The price began to rise in 1915.

Mr. HUTCHINSON. Well, would not the rise in that $200,000,000 be a large percentage of your profits?

Mr. CHAPLIN. It would. It would be all of our profit, in fact. All of these profits they have been complaining about are due to this world-wide rise in values that we are not responsible for.

Mr. VOIGT. Practically every other business man who carries a stock of merchandise on hand has been running that same risk.

Mr. CHAPLIN. Exactly the same, only I think we have it to a much greater extent than most large businesses, because we carry larger stocks with relation to our profits, and our goods are more fluctuating in value.

Mr. VOIGT. You stated a while ago that you were beginning to lose money recently?

Mr. CHAPLIN. Yes; we lost $10,000,000 in six weeks.

Mr. VOIGT. And you are liable to lose all this money you have made?

Mr. CHAPLIN. We feel there is 75 or 80 million dollars shrinkage going to come. Now, a 10 per cent shrinkage is not a big shrinkage in values, but 10 per cent on $200,000,000 is $20,000,000.

Mr. VOIGT. Well, I think that is general with all business. I think there are a lot of people who think they have made a lot of money who are liable to lose it when they get down to normal times.

Mr. CHAPLIN. Yes. A great many business people have thought they made money, and they have spent it, or they have gone to the bank and borrowed money to pay their taxes, or borrowed money to pay the increased value of their goods, and if they can not cash in on that they are going to be in a bad way.

Mr. VOIGT. To do this enormous business that you people do, you borrow money from the banks, do you not?

Mr. CHAPLIN. Yes, sir; we are the largest borrowers in the United States—the packers.

Mr. VOIGT. So I understood.

Mr. ANDERSON. Now, during this period when the prices were going up you were turning over this stock every two or three months?

Mr. CHAPLIN. Yes, sir.

Mr. ANDERSON. And every time you turned it over you took a profit on it?

Mr. CHAPLIN. Yes, sir; we either made a profit or a loss. On the whole, we made a profit.

Mr. ANDERSON. So you did make some actual profit as a result of this increase in price, just as you are making some actual loss in the last six weeks in the downward prices?

Mr. CHAPLIN. Well, we were compelled to take this money and buy goods to replace the goods we sold, and had to pay a higher price for them, and to get the money to pay for these higher priced goods we had all the time to go to the banks. We do not make enough profit so that we could pay these increased prices. We had to go to the bank all the time to borrow additional money to carry these increased prices. We kept pyramiding the thing until we got it way up to the top, and now it has started the other way. I do not say our business is peculiar; that is true of retail merchants, and other merchants all over the country. They have been compelled to go to the bank and borrow money to carry these inflated stocks—inflated not in quantity, but in price.

Mr. HUTCHINSON. How much do you suppose is the increased cost of carrying these goods? That is, the difference between the cost of the goods now and what it was in 1915?

Mr. CHAPLIN. The increased cost of carrying goods?

Mr. HUTCHINSON. Yes. In other words your goods figured on a certain basis in 1915 and then on the present basis—how much more money does it take to carry?

Mr. CHAPLIN. Why, I would say about two and one-half times. Our stocks of goods used to be about $75,000,000 and now it is about $200,000,000 and the quantity has not greatly increased. To carry that $200,000,000 we had to borrow money at the bank.

Mr. ANDERSON. Well, you have always done that, have you not?

Mr. CHAPLIN. I know that we have had to borrow a larger proportion. We own a smaller percentage of the stocks on hand now than we did then. That is to say, if we owned half of the inventory then, we probably own only about 25 per cent of it now, the balance being borrowed.

Mr. ANDERSON. You mean to say, assuming all the time that the borrowed money represents a lien on the goods, your equity in the goods now is less than it would have been in 1915?

Mr. CHAPLIN. Yes, sir; that is true. You can prove that by our statements.

The CHAIRMAN. Is not that true of every profit indicated in inventories? Does not the same rule apply to everybody else?

Mr. CHAPLIN. Well, yes.

The CHAIRMAN. Take Government bonds; they used to be considered about as good as anything, were they not?

Mr. CHAPLIN. Yes.

The CHAIRMAN. Anyone six months ago taking an inventory would have capitalized Government bonds at about 97 cents.

Mr. CHAPLIN. Yes.

The CHAIRMAN. And to-day they would carry them at less than 90 cents, would they not?

Mr. CHAPLIN. Yes; but the shrinkage is comparatively small compared with what we face.

The CHAIRMAN. How about the principle applied?

Mr. CHAPLIN. The principle is the same.

The CHAIRMAN. $100,000 in cash in 1913, would mean about $500,000 now in purchasing power.

Mr. CHAPLIN. Yes, sir.

The **Chairman.** Then why do you point this out as a paper profit in the returns made?

Mr. **Chaplin.** Because it affects us to a much greater extent than any other industry, because we carry much larger stocks compared with our sales and profits—particularly our profits—than any other industry and we borrow a greater percentage of the money to carry the goods. For that reason we stand a greater risk. We have got to meet our notes, but we can not depend on getting our money out of our inventories without a shrinkage.

The **Chairman.** Anyone that borrows money with which to buy Government bonds has to meet his notes.

Mr. **Chaplin.** But he does not take the risk we do.

The **Chairman.** Some of them were speculating whether they wanted to or not.

Mr. **Chaplin.** That is another point in relation to our profits that you must not overlook, that the dollar does not have the same purchasing power now that it used to have, and if we made 5 per cent before then we should be entitled to 10 per cent now to get the same purchasing power.

The **Chairman.** That rule has not been applied as to salaries of Government clerks.

Mr. **Chaplin.** It has been applied to labor. It has been applied to our labor. It has been applied also, I think, in the case of the farmers; they have got from two to three times what they used to get. Of course their expenses are greater.

Mr. **Anderson.** The actual money rate certainly is not anything like twice as much as it was before, is it?

Mr. **Chaplin.** You mean the rate of interest?

Mr. **Anderson.** Yes.

Mr. **Chaplin.** No; it is not.

Mr. **Weld.** Mr. Chairman, I have tried to be very liberal, and I have wanted to be liberal with respect to being asked questions on the points I have taken up. I have allowed myself, however, to be led very far afield a great many times. This afternoon, in two hours' time, I have been able to cover only two pages of my notes that I had prepared.

The **Chairman.** If I could find out something about this matter of cooperation I would be perfectly satisfied. Let me read to you from this report. You told us you had no agreement with the Food Administration. Was not that your statement?

Mr. **Weld.** That we had no agreement with the Food Administration with respect to what particular thing?

The **Chairman.** Not as to prices, or as to the ratio of corn or pork.

Mr. **Weld.** We had an agreement with the Food Administration that we would not buy hogs below certain prices fixed by the Food Administration for certain months, and we agreed with the Food Administration not to buy at less than those prices.

The **Chairman.** That is one agreement. What about the other agreement?

Mr. **Weld.** What agreement?

The **Chairman.** I read now from page 1209. This is Mr. Glasgow's statement, and here is the agreement:

> The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of $16 per 100 pounds on the Chicago market.

Then Mr. Glasgow stated:

That there was their recommendation, sir. This was made on October 27, 1917.

Mr. WELD. Whose recommendation does he say that was?

The CHAIRMAN. This is the commission that was appointed to determine the ratio.

Mr. WELD. Mr. Chairman, were you a member of that commission?

The CHAIRMAN. Here is your letter; you will find it on page 1236. When I say "your letter" I mean the packers:

It is our wish in every possible way to cooperate with the Food Administration, and in presenting the following suggestions—

And then, on page 1237, Part 2, Hearings in the Senate, Sixty-fifth Congress, third session:

To the best of our ability we will avoid having fluctuations any one week to exceed 50 cents a hundred.

You stated you were willing to cooperate with the commission. The ratio was fixed at 13 to 1. Through some agreement between you and the representatives of the Government—whether it was your fault or that of the representatives of the Government—you did not fix the ratio; you never used the ratio of 13 to 1, which would have brought your live hogs up to $30 a hundred in some instances. They never went up to any such price.

Now, somebody has broken that agreement. It is up to either you, the packers, or to the representatives of the Government, Mr. Cotton and Mr. Hoover, who went into it, to explain. It does not matter to me who it was, whether it is Mr. Hoover or Mr. Cotton or the packers, but that agreement has been violated; there is no question about that.

Mr. WELD. Will you let me make a statement about that without being interrupted? Will you let me make my statement now?

The CHAIRMAN. Certainly. You may take all the afternoon if you want it, if you can clear it up.

Mr. WELD. On the matter of the 13 to 1 ratio, the packers had nothing to do in establishing that. There was some commission appointed outside of the packing industry composed principally of live-stock producers. We did agree with the Food Administration not to buy hogs at any lower price than a certain definite minimum laid down by the Food Administration itself, and we lived up to that agreement. We paid the going market price for hogs, which most of the time was above the minimum set by the Food Administration, except part of the time, especially the last part of the time, running up into the early part of 1919, when the minimum price established by the Food Administration was higher than the market price otherwise would have been. And we continued to pay what was then the minimum, 17½ cents, although it would have been possible, it if had not been for the agreement with the Food Administration, to buy at a less price.

So the net result of the Food Administration's attempt at price fixing on hogs was that during most of the time it had practically no effect, except that it established a minimum below which hogs could not go, and for the rest of the time it kept the price of hogs higher than it otherwise would have been. We entered into no agreement with the Food Administration which we did not live up to.

Mr. **Hutchinson**. May I ask you a question there?

The **Chairman**. Let him finish his statement.

Mr. **Weld**. I am through on that.

Mr. **Hutchinson**. Do you know how long a hog is fed on corn?

Mr. **Weld**. No, I do not.

The **Chairman**. You stated exactly what I have read in the record here. What about your agreement that you were to cooperate with the department?

Mr. **Weld**. We cooperated with the department; we promised our cooperation.

The **Chairman**. Yes, but did you do it?

Mr. **Weld**. We cooperated in every possible way; yes, sir.

The **Chairman**. But you did not make good the ratio agreed upon between you and the department.

Mr. **Weld**. We had nothing to do with making that ratio. The Food Administration set a minimum price on hogs, which we agreed to live up to, and we cooperated to the extent of buying hogs above the market price as a result of our desire to cooperate with the Food Administration.

The **Chairman**. You had nothing to do with it except to sign an agreement October 3, 1918.

Mr. **Chaplin**. Well, we lived up to that agreement.

The **Chairman**. Oh, yes; in your way.

Mr. **McLaughlin** of Michigan. Is that ratio stated to be a part of that agreement?

The **Chairman**. That is what Mr. Glasgow says, and that is the agreement this commission had.

Mr. **Chaplin**. That was not the agreement.

Mr. **Weld**. Mr. Glasgow did not say anything about the packers entering into an agreement on that basis of 13 to 1?

The **Chairman**. The packers said they would cooperate with them——

Mr. **Weld** (interposing). And they did.

The **Chairman**. And with the Food Administration. They said you would carry that out in good faith.

Mr. **Chaplin**. Do you think, Mr. Chairman, that the consumers would have bought the meat from hogs that cost from 25 to 30 cents a pound alive?

The **Chairman**. They would either have paid the price or gone without it, of course.

Mr. **Chaplin**. Well, what would have become of the meat if they had not bought it?

The CHAIRMAN. That is a different question. I want to find out who is to blame for the violation of the agreement they had with the producers.

Mr. CHAPLIN. It was not the packers.

The CHAIRMAN. If you throw the responsibility on the other fellow, that is all right. It does not make any difference to me. There is something wrong somewhere.

Mr. ANDERSON. As a matter of fact, the packers specifically rejected the 13 to 1 proposition?

Mr. WELD. I do not remember whether we did specifically and definitely. I remember that there was a feeling among us that it was hardly a scientific ratio on which to determine the price of hogs.

Mr. ANDERSON. This agreement of October 3, 1918—I do not want to read it all—contains this statement:

> Complying with your instructions and bearing in mind the utmost importance of encouraging the long view in production of hogs and the necessity of providing supplies for our Army and our Navy, the Allies, and our civil population, we have given very serious consideration to the producers' plan of stabilizing the price of live hogs per hundred weight at Chicago on a basis of about thirteen times the price of 1 bushel of corn (the average price per bushel of corn to be fixed on a basis of the previous five months' average farm values, or the price at shipping points in certain States).

Mr. WELD. Excuse me, but that is a very important point for Mr. Haugen to get—"or the price at shipping points in certain States." That means the Chicago price minus a considerable amount for freight, which would bring the $26 price considerably below that.

The CHAIRMAN. Let me read what Mr. Cotton stated. Do you accept his statement?

Mr. ANDERSON. Will you let me finish this? This is what they actually agreed to:

> It is the opinion of all the packers in attendance at this meeting that this plan may not prove workable.

Now, I want to get what they actually did come to:

> We will use our best efforts to maintain a minimum price of 15½ cents for average droves (average droves not to include rough packers, pigs 130 pounds and down, stags, boars, and thin sows) during the heavy packing season, and in order to stabilize the market will endeavor to hold the usually sharp decline to a gradual change. We agree that for the month of October a minimum average price of 18 cents for average droves as above be established; that before November policies be determined a further meeting be held by the packers' committee, together with producers' committee, the Food Administration, the Army and Navy representatives, when the de facto situation can be again canvased.

That is what they agreed to at that time.

Mr. WELD. We lived up to it, did we not?

The CHAIRMAN. Let us see what Mr. Cotton said. This is on page 1214, under date of November 3, 1917.

Mr. CHAPLIN. Mr. Sansom is here. He was I believe, a member of that commission and he could probably explain this to you.

The CHAIRMAN. I think this explains it. I will read what Mr. Cotton stated:

> We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the Allies, our Army and Navy, the Red Cross, the Belgian Relief, and the neutrals, which together constitute a considerable factor in the market.

Then he goes on to state:

> It is a statement of the intention and policy of the Food Administration which means to do justice to the farmer.

Now, they had agreed upon a ratio of 13 to 1. Then when they fixed a price $10 below that they did not do justice to the farmer.

Mr. McLaughlin of Michigan. Well, Mr. Anderson has read there——

The Chairman (interposing). I am talking about the two; I am trying to fix responsibility. Mr. Weld says it misrepresents; that it is misleading, and the Government is on trial. Here is what a representative of the Government states. You have heard what Mr. Weld said.

Mr. Weld. That is the Federal Trade Commission.

The Chairman. Here is the agreement with the farmers, which was violated. Now, if you think you have cleared yourselves, very well; it is then up to the others concerned to clear themselves. We have the statement here.

Mr. Weld. All right; so far as the Food Administration is concerned I think I am satisfied to let it drop.

The Chairman. I suppose you are satisfied to drop it, but it does not settle the question. I think it is clear that that contract has not been carried out.

Mr. Weld. There was not any contract to that effect.

The Chairman. It is an agreement, whether you call it a contract or not.

Mr. Weld. No. We agreed with the Food Administration to certain things that the Food Administration laid down, and we lived up to that.

The Chairman. An agreement is a contract.

Mr. Weld. And we lived up to everything we agreed to do.

Mr. Sansom. Will you allow me a word?

The Chairman. Certainly.

STATEMENT OF MR. MARION SANSOM, LIVE STOCK PRODUCER, FORT WORTH, TEX.

Mr. Sansom. My name is Marion Sansom; I live at Fort Worth, Tex.

I will not detain you but a minute. There seems to be rather an understanding that there was an agreement to a ratio of 13 to 1 to be fixed as a price between the packers and the hog raisers and the Food Administration. That arrangement was never carried out and it was never fixed, but from time to time, from month to month—I would not say just whether it was every month—the hog raisers, the packers, and the Food Administration came together in this city, and twice in Chicago during that time, and fixed the price of hogs.

So far as I know—and I think I know a good deal—the packer kept his word as to the price he agreed to pay, but it was not based on any ratio whatever, and the packer had no agreement as to that. That is what the hog men asked for. They figured that may be they could work it out, but it was all dropped and the price was fixed from time to time during the duration of the war.

Those are the facts. It was agreed upon with the hog men present—their committee, the Food Administration, and the packers—many times saying that the price was too high, but they did fix it, and they stayed with it so far as I know throughout.

The CHAIRMAN. Were you a member of the commission fixing the price?

Mr. SANSOM. I was on an advisory commission of the Food Administration; yes, sir.

The CHAIRMAN. The commission that fixed the ratio.

Mr. SANSOM. Yes, sir.

The CHAIRMAN. Were you a member of that commission?

Mr. SANSOM. I was a member.

The CHAIRMAN. Do you deny that that ratio was fixed?

Mr. SANSOM. We never got an agreement out of the packers on that.

The CHAIRMAN. What was your recommendation?

Mr. SANSOM. In the beginning the question was discussed and advocated and undertaken in an effort to work out—it did not work out. Now, wait just a minute. They met again right away afterwards to finish it up, and it was dropped entirely, and it was not agreed during the war nor was it undertaken to be worked out. It was practically an impossible proposition. But it was worked out from month to month according to conditions, and the prices advanced gradually throughout the duration of the war.

Now, those are the facts, in justice to all parties concerned, as I was a witness and know what happened. There was no fixed or written agreement, so far as that is concerned, on that basis that was talked about, which was an impossible thing to do and recognized as such by the parties, even the hog men themselves.

The CHAIRMAN. Do you repudiate Mr. Glasgow's statement in this report?

Mr. SANSOM. I do not know. I am only telling what happened.

The CHAIRMAN. I have read your report.

Mr. SANSOM. I do not know what it is; I was in the back of the room and did not hear. What I thought you were doing was getting the three different interests, the hog producer, the packer, and the Food Administration in an agreement. Now, what I said was this, that there was no such agreement that I ever knew of. If it came in, it came before my appointment, but it was never undertaken to be carried out, and there were hog men demanding that it be done later on. You can get that also from the committee of hog men who were here during the war and met with them from month to month.

The CHAIRMAN. I will read from your own report, and see whether you stand by it or not:

> The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of $16 per 100 pounds on the Chicago market.

That is your report?

Mr. SANSOM. Yes, sir.

The CHAIRMAN. Here is what Mr. Glasgow stated:

> That there was their recommendation, sir.

This was made on October 27, 1917.

Mr. SANSOM. Well, it was paid. That price was paid and that agreement was carried out.

The CHAIRMAN. But the ratio was 13 to 1.

Mr. SANSOM. The ratio question was dropped out of all consideration after about the first meeting they ever had with the hog men to fix prices, and was never figured on any more. There never was any fixing prices.

The CHAIRMAN. You say in the report:

> To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

Mr. SANSOM. Was that on the same date?

The CHAIRMAN. Yes; the same date.

Mr. SANSOM. Well, they did increase the price from time to time.

The CHAIRMAN. Oh, yes; I understand that.

Mr. SANSOM. And it was done by agreement with all parties. A committee of gentlemen from throughout the corn country was there, and there was no price fixed that they did not as a body agree upon and accept as the price. There was no part of the committee that went away and made a minority report, but the committee itself representing the hog growers—and many of them I expect you know——

The CHAIRMAN (interposing). I am sure they did not represent the hog growers fairly if they defend that action.

Mr. SANSOM. I am not impugning anybody's motives or anything of that kind.

The CHAIRMAN. If you are defending the packers and the Food Administration, and if you are in harmony with them, please do not say you represent the hog growers.

Mr. SANSOM. No, sir; I do not say I represent them. I beg your pardon, sir.

The CHAIRMAN. The commission's finding was this, that the farmer was entitled to a ratio of 13 to 1, and the price never got up to anywhere near that.

Mr. SANSOM. There was no price ever fixed on such a basis. It never was figured out. Now, these gentlemen were there—you can get their names very easily—from Kansas, Ohio, Iowa, Illinois, and all the corn States of this country, representing these people. I do not know whether they were doing their duty, but the price was raised from time to time. There were two meetings held in Chicago; the balance of them were held here in Washington.

The CHAIRMAN. The highest price was $17.50. Your commission found that the farmers were entitled to a ratio of 13 to 1. The price of corn was about $2 a bushel and over, hence the price should have been $26 to $30 instead of the price paid.

Mr. SANSOM. Well, I was on it. If there was any such promise made it was before I had any connection with them as an advisory committee to the Food Administration. I know it had been suggested to figure out the price of hogs that way, but when they got to figuring on it the hog men themselves dropped the idea, and it was never undertaken to be fixed that way. But from time to time as corn advanced hogs advanced month by month, and I want to tell you that right smart of the time they would not have got the money.

and the packers had to work hard to take care of it. And the Government had to furnish them—I won't say $100,000,000, to enable them to store that meat and hold it until the Government could pay for it.

The CHAIRMAN. Were you a member of this commission on the hog and corn ratio?

Mr. SANSOM. No, sir; I was a member of the advisory committee to Mr. Hoover.

The CHAIRMAN. Then you do not know anything about the agreement that was made?

Mr. SANSOM. I do; yes, sir.

The CHAIRMAN. Are you repudiating this report that was made by the commission?

Mr. SANSOM. What committee do you mean?

The CHAIRMAN. The commission on the hog and corn ratio—the report of the commission appointed by the United States Food Administration to investigate the cost of production of hogs.

Mr. SANSOM. I was not a member of that.

The CHAIRMAN. What do you know about it? You said you knew something about the report.

Mr. SANSOM. I was representing, when we had the Food Administration——

The CHAIRMAN. I know, but what do you know about this report?

Mr. SANSOM. I know we fixed the price of hogs from month to month.

The CHAIRMAN. But you were not a member of the commission, you say?

Mr. SANSOM. I do not claim to be, but I said I knew what was going on.

The CHAIRMAN. But here is what went on; here is the report.

Mr. SANSOM. There never was a time when that price was paid and the committee was in session——

The CHAIRMAN (interposing). The agreement and the recommendation.

Mr. SANSOM. Well, that was a recommendation that probably came in at the first meeting they ever had, which was never perfected and never carried out and never was undertaken.

The CHAIRMAN. It was signed. Here are the signatures. I have given you the date I have quoted you the report; the report is that they were entitled to 13 to 1—13.3 bushels of corn to every 100 pounds of pork.

Mr. SANSOM. That is the report, practically, of the hog raisers' committee that represented the hog raisers themselves.

The CHAIRMAN. I would not say they represented the hog producers.

Mr. SANSOM. I just wanted to tell you how these facts occurred.

The CHAIRMAN. Are you repudiating this report?

Mr. SANSOM. I say that the price of hogs never was fixed on that ratio at all. It never was undertaken to be carried out.

The CHAIRMAN. That is exactly what I am contending.

Mr. SANSOM. But the hog raisers' committee met with this committee, this same committee that met from time to time and fixed the prices of these hogs until the war was over.

Mr. HUTCHINSON. Did they fix the price for selling the products of those hogs?

Mr. SANSOM. They did for what they bought.

Mr. Hutchinson. That is, the Government, you mean?

Mr. Sansom. Yes, sir; the Government, for their requirements.

Mr. Anderson. Including the allied requirements?

Mr. Sansom. Yes, sir; ourselves and all the Allies.

Mr. Hutchinson. Speaking about fixing the price of hogs on the ratio of 13 to 1, you say that was an impossibility?

Mr. Sansom. Well, I said that the decision was, as I understand it, later on that it was impossible to figure out a proposition of that kind, but it was one that was brought up and dismissed.

Mr. Hutchinson. Why did they use that ratio? Hogs are not fed corn for more than two or three months, are they?

Mr. Sansom. Sometimes I think they are. However, I am not going to qualify as an expert on hog producing, although I raise some hogs. It depends on the country they are raised in. Sometimes they raise them where they feed them corn all the time. Most places they are fed on alfalfa and other things and then finished on corn for two or three months.

The Chairman. Does anybody contend that hogs can live without food?

Mr. Sansom. I am talking about how long they are fed on corn.

The Chairman. They are fed on corn in my section of the country from the time they are born until they are sold.

Mr. Sansom. Not necessarily at all?

The Chairman. Not necessarily, but generally.

Mr. Sansom. They really need very little corn until they get a certain growth.

Mr. Hutchinson. Hogs do not grow on corn? They are fattened on corn?

Mr. Sansom. That is my understanding.

The Chairman. What do they live on? The north wind?

Mr. Sansom. No; hogs will eat a good many things.

The Chairman. All right; that will be enough for that. Go ahead, Mr. Weld.

Mr. McLaughlin of Michigan. Some time ago I read a good deal of this; I do not remember much of it from my early reading. From my reading now and hearing it read it looked as if it were a recommendation on the part of somebody that a certain basis be fixed, but I do not see that that basis was embodied into an agreement.

The Chairman. I do not think they could put it into plainer words. Let me read it again:

> It is a statement of the intention and policy of the Food Administration which means to do justice to the farmer.

And the commission says they are entitled to 13 to 1.

Mr. McLaughlin of Michigan. That is all right, but was their idea ever carried into an agreement?

The Chairman. It was never carried out, but that was the understanding. That is what I am finding fault with, in that it was not carried out.

Mr. McLaughlin of Michigan. An understanding is not an agreement. Was it put into an agreement?

The Chairman. It is an agreement.

Mr. McLaughlin of Michigan. I have been at a loss to know just what this whole thing is.

The **Chairman**. I am not at a loss to know what this language means:

Mr. **McLaughlin** of Michigan. I have given my idea, that that was evidently a recommendation of some of those people, but I can not find that it was carried into an agreement.

The **Chairman**. They were to act upon the recommendation, which meant to do justice to the farmer.

Mr. **Sansom**. They thought they did.

The **Chairman**. They said they were entitled to 13 to 1 and gave them 8 to 1.

Mr. **McLaughlin** of Michigan. Thirteen to one would have been a pretty good price.

The **Chairman**. The average has been about 11 or 12 at other times. Let us see what it was during the Civil War. We can go into that. During the Civil War it was 17 to 7, January, 1861; 15 to 1 in April; 24 to 8, September 19, 1865; 26 to 6 in 1866. It seems that they did a little better by the farmers during the Civil War than during the recent war.

Mr. **McLaughlin** of Michigan. What was the price of corn at that time?

The **Chairman**. The price of hogs was to be on a certain ratio.

Mr. **McLaughlin** of Michigan. Well, what was the price of corn?

The **Chairman**. If it was 10 cents, 13 times 10 would be $1.30. If it was $2, 13 times $2 was $26. The figures are there.

The interpretation of the policy by the Food Administration on November 3, 1917, with regard to the price of hogs in accord with the report of the advisory committee, found on page 1233, part to hearings before the Committee on Agriculture and Forestry, Sixty-fifth Congress, third session, was as follows:

> We will try to stabilize the price so that the farmer can count on getting for each hundred pounds of hog ready for market 13 times the average cost per bushel of corn feed into the hog.

Mr. Hoover, in his letter to Hon. Henry C. Stuart, found on page 1235:

> In accordance with committee's recommendation, we will issue instruction to the packing firms, about 50 in number, who participate in controlled orders, affecting so far as these orders will go, the stabilization of price on these lines.

All that seems necessary to say is, that if the recommendations, interpretations, and Hoover's promised instructions to the packing firms, and if the packers had carried out the instructions in good faith, the farmer would have received about one-third more for his hogs than he did.

All right, Mr. Weld; go ahead.

Mr. **Weld**. Shall I proceed?

The **Chairman**. Yes.

STATEMENT OF MR. L. D. H. WELD—Resumed.

Mr. **Weld**. The next point I wanted to take up was the live and dressed lamb chart that was presented here by Mr. Colver through Mr. Durand, his assistant. This chart shows that the price of live lambs had been increasing and that the price of dressed lambs had been increasing even faster than the price of live lambs. We were supposed to conclude from this diagram that the price of dressed lambs had been artificially forced up faster than the price of live lambs, thereby yielding the packers an unduly large profit.

Now, I have prepared here a little statement which I will have distributed.

(The statement referred to by the witness is here printed in full, as follows:)

WHY FEDERAL TRADE COMMISSION'S CHART ON PRICES OF LIVE AND DRESSED LAMBS IS UNFAIR.

When the price of live lambs is advancing, the price of dressed lambs must advance even faster, in order to yield the same profit to the packer.

This is due primarily to the fact that only half the live lamb emerges as meat.

For example, when live lambs cost $15.25, this means that the dressed cost would be about $30.50.

When live lambs cost $19.50, the dressed cost would be about $39.

In other words, when the price of live lambs advances $4.25, the price of dressed lambs would have to go up $8.50 to yield the same profit, other things being equal

To arrive at actual net cost of dressed lambs to the packer, value of pelt and other by-products must be subtracted, and expenses of operation added. (Our records show that lamb pelts were worth $3.85 each on December 6 and $4.31 on February 1, a difference equal to 40 cents per hundredweight live animal, or 80 cents dressed. This is offset by higher expenses and lessened value of fats, to the extent of about 60 cents per hundredweight.)

The above explanation merely describes the principle involved—entirely overlooked by the Federal Trade Commission in explaining the matter to this committee

Swift & Co.'s profits on lamb and mutton business, based on actual sales of meat and on current market prices of pelts and other by-products, from December 1, 1919, to February 2, 1920, were as follows:

	Per head
December, 1919:	
First week	$0.[illegible]
Second week	.1[illegible]
Third week	.1[illegible]
Fourth week	.[illegible]
January, 1920:	
First week	[illegible]
Second week	.[illegible]
Third week	.[illegible]
Fourth week	.3[illegible]
Fifth week	[illegible]

Mr. WELD. You will remember that on the original chart there was shown the price of live lambs going up and the price of dressed lambs going up even faster, and a dotted line showing where the price of dressed lambs ought to have been if it had gone up in proportion to the price of live lambs. On this statement you will see what was overlooked in that chart. You will see that the price of dressed lambs must go up faster than the price of live lambs in order to yield the same profit to the packer.

Mr. ANDERSON. Are you assuming that that red line that was put on that chart was put on there as representing an actual price?

Mr. WELD. That dotted line?

Mr. ANDERSON. Yes.

Mr. WELD. That was put on there to represent the price that the dressed lambs ought to have followed if they had gone up the same as the price of live lambs, with the insinuation at least that that is what it ought to have been or would have been if there had not been some artificial manipulation to force up the price of dressed lambs.

The statement submitted by Mr. Durand, which you will find in the transcript, volume 2, page 192—I have not the reference in the printed hearings—was as follows:

> A striking feature about these lamb prices is the ease with which those interests advanced the price of the finished product when a lesser advance in price of the live animal gave them an argument for such advances in dressed lambs.

At the bottom of this statement here you will find our profits by weeks on lambs. It shows they averaged from a maximum of 30 cents a head in one week down to a minimum of 4 cents per head.

Mr. VOIGT. Your profit figures here do not cover the same time that was covered by the Federal Trade Commission's chart?

Mr. WELD. The same period; yes, sir—December and January. Here is a copy of their chart; it gives December, 1919, and January, 1920—exactly the same period.

You see, the point is that only half of the lamb is meat and that—well, I do not know whether it is worth while to go through this explanation; I do not know whether you all understand it or not. Shall we read it together so as to make it clear?

Mr. VOIGT. Your whole proposition there is that a lamb will dress, say, 50 per cent of meat, and that if you pay more money for the lamb the price of the meat must go up in a larger proportion because you only get 50 per cent meat?

Mr. WELD. Yes, sir. Did the Federal Trade Commission explain that little phenomenon to you in presenting that chart?

Mr. VOIGT. I will say that for my part I had it in mind when I saw the chart.

Mr. WELD. But if a person that does not know as much as you do about the chart had seen that chart that never would have occurred to him.

Mr. ANDERSON. You do not mean, of course, when you say that 50 per cent of it emerges as meat, that you do not get anything for the hide or for the offal?

Mr. WELD. No; and that is accounted for there in a long paragraph.

Mr. ANDERSON. Well, your general statement that that is due to the fact that only half of the live animal emerges as meat is just as misleading as their statement is.

Mr. WELD. Not the least bit, when we explain the effect of the by-products, as we do right here in this direct statement.

I submit that their chart was absolutely unfair, because it gave a totally wrong impression. There could not be anything more unfair than that was, to come here and try to give you the impression that the price of dressed lambs was artificially forced up with the ascending price of live lambs as an excuse.

Mr. VOIGT. If the by-products advanced in proportion to the cost of the live animal, then of course there would be no occasion for putting up the price of meat in a higher proportion than the proportion gained on the by-products?

Mr. WELD. No; your statement is not correct. If the other 50 per cent of the lamb were worth as much as the 50 per cent that is meat and the value of that other 50 per cent, the by-products, went up as much as the value of the meat then the price of the dressed lamb would not have to increase faster than the price of the live lamb in order to yield the same profit. But the 50 per cent that is meat has a much greater value than the by-products that come out of the other 50 per cent. So if the value of the by-products, the other 50 per cent, advanced in the same proportion as the price of the live animal or the meat, the price of the meat would still have to advance more rapidly than the price of the live animal to yield the same profit. The point is that with this greater increase in the price of dressed lambs as compared with the price of live lambs the profit of Swift & Co. was not any greater, and that is a very important and fundamental fact that was, of course, never mentioned by Mr. Durand because it would have spoiled the whole effect of the chart.

These things have gone into the papers in just this way. Take that pork loin chart. I found it in a Boston paper when I was in Boston a month or two ago. That whole pork loin chart was reproduced in the paper and given as a horrible example of how the packers were advancing the price of pork loins when the price of hogs was going down. That kind of stuff does us untold harm. Suppose your Government commission to regulate the packers does not go into it any further or any more fairly than the Federal Trade Commission did into this thing, and puts out a Government bulletin claiming that the packers had arbitrarily advanced the price of dressed lambs while the price of live lambs had gone up only a little.

Mr. ANDERSON. Mr. Weld, you referred to the fact that while you were in the East you found some comment in the newspapers in regard to this pork loin situation. I have here an editorial from the Boston Evening Transcript, under the date of October 25, 1919, which does not show any indication, at least, of having been influenced by any chart. So I deduce from this editorial that before the Federal Trade Commission had discovered this remarkable situation——

Mr. WELD (interposing). What was the date?

Mr. ANDERSON. October 25, 1919.

Mr. WELD. Excuse me just a minute. On October 2, in Des Moines Mr. Colver presented this chart at a public debate with me, and I showed the falsity of the chart at the time, but he continued to persist in using it, and used it on your committee here three weeks ago.

Mr. ANDERSON. Well, this editorial does not bear any indication of having been based on any chart.

Mr. WELD. And he had made it public before that, at a meeting here in Washington a couple of weeks before that, in September.

Mr. ANDERSON. This editorial appears to have been induced by the situation itself. Just to get the whole thing straight in the record, I would like to read this editorial. It says:

> It does not take an expert in figures to deduce that there is profiteering in pork, and that the excessive margin in this instance is extorted before the pork reaches the retailers. The wholesale price of pork loins—considered as best cuts for roasting—ranged in Boston yesterday at $34 to $38 per hundredweight for loins ranging in weight from 8 to 14 pounds. This fresh pork came largely from the West, according to reports of the United States Department of Agriculture's Bureau of Markets. A strike at packing plants near Boston is reported as curtailing the supply of fresh pork cuts in the market from nearby sources.

They evidently had a different explanation in Boston for this short supply of pork loins from the explanation here in Washington.

Mr. WELD. Do you think the Boston Transcript is an expert? The first sentence says that it requires no expert. The fact is, it does require an expert to explain that situation.

Mr. ANDERSON. I think it takes a good deal of expert testimony to explain that situation.

Mr. WELD. It does not take very much expert testimony to explain that situation to anybody that has had any experience in the matter, Let me say also, it was the Boston Transcript which published this diagram which I referred to.

Mr. **Anderson**. Let me read the rest of this:

> There seems to have been, however, an adequate supply of Western dressed fresh cuts—available speedily by refrigerator-car service—arriving constantly. In fact, the receipts from this source during the week were 470 per cent of receipts of a week ago.
>
> Now as to the cost at Chicago. Live hogs sold in Chicago yesterday at $11.85 to $12.85 for bulk of sales. The prices of live hogs in Chicago have declined steadily since July 31, when a top figure of $23.60 per hundredweight was reached. Pork loins are retailing in Boston at the same old high figures and recent United States Bureau of Market reports show the wholesale figures of loins to be even higher than when top figures on live hogs were reached.
>
> The men who buy live hogs in Chicago can deliver fresh loins from those hogs to the retail trade in Boston within a very few days. With the price of live hogs reduced in Chicago nearly 50 per cent and the price of fresh pork loins in Boston remaining at the same old level—or slightly increased, as the Government figures show—it is easy to see how, somewhere between the stockyard and the wholesalers' delivery, there is profiteering in pork.

Now, that does not bear any indication of having been influenced by the chart of the Federal Trade Commission. So there were other people besides the Federal Trade Commission who suspected that this remarkable situation was not altogether due to accidental causes.

Mr. **Weld**. Now, will you let me answer that?

Mr. **Anderson**. Surely.

Mr. **Weld**. The Boston Transcript shows that it knows practically nothing about the situation. I have given you an ample and adequate explanation of the reason for the high price of pork loins, and I have shown you that the price of other pork products went down so that the prices of all pork products together went down approximately with the price of hogs.

Now, I do not know whether that came from the Federal Trade Commission or not, but it is perfectly reasonable to suppose that a person who is not in the business and sees that phenomenon would immediately say that that is the result of packer manipulation of prices. I am showing you that it is not, that there is ample reason for that situation, that it is not an unusual one at all, and that the diagram put out by the Federal Trade Commission is entirely unfair, especially as we were losing very heavily on our hog operations at the time.

Mr. **Anderson**. That situation could result, I suppose, only from either a shortage of supply or an extraordinary demand. Which was it?

Mr. **Weld**. And there was a shortage of supply and a heavy domestic demand, and I explained that that matter of the pork loins was not affected at all by the foreign situation. The supply of hogs is always light in the summer, and the supply of pork loins therefore was light. There is no reserve supply except the few that are frozen.

Mr. **Anderson**. The supply was not any lower than it ordinarily is at that time of the year; it was only very slightly less than it was the preceding year—the receipts of hogs.

Mr. **Weld**. And is it not also true, Mr. Chaplin, that the price o pork loins is usually higher in the summer?

Mr. **Chaplin**. Yes.

Mr. **Weld**. We had a very peculiar situation; we had a light supply of hogs, and yet the price of hogs falling on account of the foreign demand.

Mr. **Anderson**. That is exactly the situation—a light supply of hogs, and despite that light supply of hogs, the price of hogs falling and at the same time the price of pork loins going up.

Mr. **Weld**. Yes, sir; and I have explained it amply. And you can not in any possible way defend the Federal Trade Commission's method of putting out that statement. It is absolutely unfair, and, I might almost say, dishonest to put out the facts in that way.

Mr. **Anderson**. Well, there is no question about what the facts were. You agree to the facts.

Mr. **Weld**. Yes; and we have explained why they occurred that way.

Mr. **Anderson**. In your own chart here, in which you undertake to show that the price of hog products went down with the price of pork, you omit altogether the price of pork loins.

Mr. **Weld**. Well, it is in the Federal Trade Commission's diagram, I said. Assuming that that marks the terminal pork-loin prices, we could have put it in our chart just as well. Here it is, if you want it in the record.

Mr. **Anderson**. You are criticizing the Federal Trade Commission for omitting things in their chart, and it strikes me you ought to put it all in your own chart.

Mr. **Weld**. Well, we have; we will put this in. And I have said in my testimony that we will accept the Federal Trade Commission's chart as showing the general trend of prices.

Mr. **Anderson**. The Federal Trade Commission's chart is not in the record. I do not remember it in detail, and I do not suppose the rest of the committee remember it.

Mr. **Weld**. It is over here in the corner, if you want to see it, and here is a picture of it. If these charts are not in the record as I supposed they were, I would like to ask to have them put in the record in connection with my testimony on this subject.

Mr. **Anderson**. There are no charts in the record. The chairman is not here, and I do not know just what the arrangement is, but my impression is that charts can not be printed without permission from the Committee on Printing. I assume that is the reason the charts have not been put in. But as far as I am personally concerned I would be very glad if the charts could be printed. I will take it up with the chairman and see, if you will submit the charts.

Mr. **Weld**. Very well. Now, I have shown you on this live and dressed lamb chart how absolutely unfair that is. It is given out as an indication that we had arbitrarily forced up the price of dressed lamb. I might also say that during this period of the increase of price of the live lambs and dressed lambs the receipts of lambs were decreasing very substantially, which accounts for the increase in price of live lambs and dressed lambs.

There are one or two other inconsistencies in Mr. Colver's statement that I want to bring out. For example, he said that the packers should stop with the tanning of hides. He stated specifically that he would permit packers to engage in tanning. Perhaps you remember that statement. Now, compare that statement with the statement of the Federal Trade Commission's report on the leather and shoe industries issued August 21, 1919, page 6. They state:

> Some relief from the intolerable prices paid by consumers for shoes may be had by—

And then it gives three recommendations, the second of which is:

> Legislation forbidding producers of hides engaging in the tanning business.

That is the recommendation of the Federal Trade Commission. Of course, it is perfectly natural and legitimate for Mr. Colver to have his own personal view—and perhaps that is what he was giving—but I am calling attention to the fact that his view on that matter apparently does not coincide with the view of the Federal Trade Commission on the same matter.

Another interesting point in connection with Mr. Colver's testimony was that he told you that the Federal Trade Commission had seen no reason to make any change of recommendations at all; that is, with regard to the packing industry. Mr. Colver told you that his recommendations were: First, that the refrigerator cars be taken away and that the railroads operate them; secondly, that the railroads be required to take the stockyards; and third, that the collateral food products, as he called them, be lopped off.

Now, the summary of the Federal Trade Commission's report, at page 77, gives these four recommendations: First, that the livestock cars be taken away—at that time it was to be taken by the Government through the Railroad Administration—and operated as a Government monopoly; second, that the stockyards be taken away; third, that the refrigerator cars be taken by the Government and operated as a monopoly through the Railroad Administration; and fourth, that the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption, the same to be operated by the Government as public markets and storage places.

Now he told you that he had seen no reason to change their recommendations, yet he omitted that recommendation of the Federal Trade Commission. I am wondering whether the Federal Trade Commission still recommends that our branch houses and storage houses be taken away by the Government and operated by the Government as public market places. That is the definite recommendation of the Federal Trade Commission in its summary of the report.

I might also call attention to the fact that in the summary of the report which contains the recommendations of the Commission there is no recommendation there about the handling of other products than meats. It looks as though the Federal Trade Commission itself has perhaps been a little wobbly in its conclusions in respect to what ought to be done with regard to the packing industry.

It was possibly unfortunate that the summary of the report should have been forced out before the report itself was anywhere near completed. Of course, about half of the total report has been issued to date, and it may be several months even now before the rest of the report is issued. Possibly it will come to different conclusions by the time it has completed its report.

By the way, I might say in connection with this leather and shoe industry report by the Federal Trade Commission I could point out a number of very glaring weaknesses and inconsistencies, one in particular in the very summary of the report after the Federal Trade Commission had decided that prices of shoes were unreasonably high. and that was due to the taking of undue profits all along the line by everybody engaged in the process. It gives as proof of that and as a horrible example the details on one particular pair of shoes where the leather cost was $2.71 to the shoe manufacturer. It says that some of the tanning concerns made 35 per cent profit that year, and that therefore such concerns as made a 35 per cent profit made a profit of 71 cents on $2.71 worth of leather. Now, the difficulty there is that the 35 per cent is a profit on investment, as shown earlier in the report, and it is assumed that that same rate of profit as is earned on investment was earned on sales. It is assumed that 35 per cent profit was made on the sale of $2.71 worth of leather, which, of course, gives a totally wrong result and magnifies the profit on $2.71 worth of leather by three or four times.

Mr. Voigt. They were probably misled by this calculation that you set up on the Swift dollar.

Mr. Weld. It seems as though they ought to be competent enough not to be misled. They ought to be able to distinguish between the question of profit on sales and the question of profit on investment.

Mr. Anderson. It is a customary thing I know in the retail trade to figure profits on the selling price instead of on the cost price. I don't know that that had any application here.

Mr. Weld. That has nothing to do with it. The retailer does not establish his margins on selling price as the basis of what his profit on the capital invested in his business is.

Mr. Anderson. No.

Mr. Weld. That is what the Federal Trade Commission has done here. It has figured a profit on the sale of $2.71 worth of leather on the basis of the profit on investment.

Mr. Voigt. If they turned out leather once a year, that calculation would be correct.

Mr. Weld. That would be true. I made some inquiries on that point. I know that our own leather properties turn over their own investment some four or five times a year, so that in their case their profit would have been 15 cents instead of 70 cents on this amount of leather, and that would be about 3 per cent of the final value of the shoes, by the way. And dividends, interest on investment, have to be paid out of that; yet that is in the conclusion of the Federal Trade Commission's report on the hide and leather and shoe industry.

Mr. Voigt. Assuming that the tanner had made that amount of profit, it would not at all explain the high cost of shoes.

Mr. Weld. Not the least bit. If he had made 35 per cent on capital it would mean about 7 or 8 per cent profit on sales.

Mr. Anderson. You are not contending, I take it, that the profits on shoes or on leather are specially small, or have been during the last two or three years, are you?

Mr. Weld. No, sir; the leather business has been very profitable.

Mr. Anderson. I understand that.

The Chairman. Six hundred per cent was it not?

Mr. **Weld**. The leather business is one of the most up and down businesses you will find. It has one or two profitable years and then one or two very bad years.

I am content to stop there if you gentlemen are. It is just about 5 o'clock. Now, how would it do for me to go ahead with my statement to-morrow without interruption, and save your questions until I get through? Because I will be on all the week at this rate. If you want to, and think it is worth while, all right, but it seems to me that we have wasted a good deal of time.

Mr. **McLaughlin** of Michigan. We waste time because one question leads to another, and we wander away off from the subject. If the questions could be directed directly to the matter you are discussing it would be another thing.

Mr. **Weld**. Yes; I would not object—in fact, I have not objected until now going off on any other subjects. But doesn't it seem as though I would be justified in asking to have the committee stick by the rule passed at first and finish my statement and you reserve your questions until the end?

Mr. **Anderson**. I have no objection to that, but I should not like to have you invoke that rule when you are getting to the point in which I am specially interested, in which you say you are going to attack the statement I had made.

Mr. **McLaughlin** of Michigan. I think the rule would be a good one. If you are going to break it at all, it would be well to break it only to the extent of asking questions right to the matter he is discussing. The trouble is I have noticed here a good many times when we ask a question it leads to another and still another, and before we get through we are way off from the subject.

Mr. **Weld**. Well, I would be perfectly willing to continue on that plan as we set out; that is, to stop for questions as long as they were directly to the point. In fact, I would rather have it that way if there is any chance of actually carrying it out, but we do waste so much time.

Mr. **McLaughlin** of Michigan. It is entirely in the hands of the chairman, but let us bring that up in the morning when Mr. Haugen is here, and I think you and he will be able to agree on a plan of procedure.

You would rather stop now?

Mr. **Weld**. Yes, sir.

Mr. **McLaughlin** of Michigan. The committee will take a recess then until 10 o'clock to-morrow morning.

(Whereupon, at 4.50 o'clock p. m. the committee recessed until 10 o'clock a. m., Wednesday, March 24, 1920.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, MARCH 24, 1920

PART 25

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON AGRICULTURE.

House of Representatives.

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SYDNEY ANDERSON, Minnesota.
WILLIAM W. WILSON, Illinois.
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JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. Haugen, *Clerk.*

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MEAT-PACKER LEGISLATION.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
Wedenesday, March 24, 1920.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. Mr. Chaplin, I think you have some data in regard to the prices of beef in South America and in this country?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. We shall be very glad to have it.

Mr. CHAPLIN. A steer that weighs about 1,300 pounds, of good quality, is selling at present in Argentine for about $225 paper.

Mr. ANDERSON. That would be what?

Mr. CHAPLIN. That would be about $100 in United States gold.

Mr. McLAUGHLIN of Michigan. From whom to whom?

Mr. CHAPLIN. That is the price at which they sell to the packing house; the steers sold by the rancher to the packing house.

The CHAIRMAN. The price paid by the packers?

Mr. CHAPLIN. Yes, sir; about $100 in United States gold. The beef from that steer is shipped mostly to Great Britain and the present price in London is about 10 pence per pound. At $3.65 gold to 1 pound sterling, which is about the present rate of exchange, that is equivalent to 15.2 cents in London, United States gold.

Mr. ANDERSON. Is that the price on the Argentine basis or the London basis?

Mr. CHAPLIN. The London price for Argentine beef. That is equivalent to about 11.5 cents in Argentina. A similar steer in this country would sell for about $175 and the beef would sell in Chicago for about 21 cents per pound.

The CHAIRMAN. Twenty-one cents per pound?

Mr. CHAPLIN. Yes, sir. It would net at the packing house about 20¼ cents.

The CHAIRMAN. Twenty and one-fourth cents?

Mr. CHAPLIN. Yes.

Mr. ANDERSON. Is this figure based on any particular day?

Mr. CHAPLIN. It is in March; it is about the present time, perhaps 10 days ago.

The CHAIRMAN. How does that price of 11.5 cents compare with the price of 20¼ cents?

Mr. CHAPLIN. I think the comparison would be about like this: Steers in the Argentine bring about 43 per cent less than they do in this country and the beef brings about 43 per cent less.

The CHAIRMAN. How would the price compare with the London price? What is the expense of transporting and selling it in London?

Mr. CHAPLIN. I have no figures on that. There is really no transaction—no shipment of beef from this country.

The CHAIRMAN. You have the figures on the shipment from Argentina to Great Britain?

Mr. CHAPLIN. The cost of transportation?

The CHAIRMAN. Yes, sir.

Mr. CHAPLIN. And the handling of it?

The CHAIRMAN. Yes, sir.

Mr. CHAPLIN. That is about 3.7 cents a pound.

The CHAIRMAN. 3.7 cents a pound?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. That would bring the 11.5 cents up to about 15 cents in London?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. The cost of bringing it in here would be about the same?

Mr. CHAPLIN. I could not say. That would depend on what we could get boats for.

The CHAIRMAN. Under normal conditions the expense would be about the same here as to London?

Mr. CHAPLIN. Approximately; the same or perhaps a little more. The volume of business is much less.

The CHAIRMAN. Argentine beef could be brought in here at least 6½ cents a pound less than our beef.

Mr. CHAPLIN. It could be brought in for several cents a pound less than the cost of similar beef.

The CHAIRMAN. According to your figures about 6½ cents less?

Mr. CHAPLIN. Yes, sir. Of course, the only difference is that one steer is finished on corn and the other steer is finished on alfalfa.

The CHAIRMAN. How does it compare in quality, is there any difference in the meat?

Mr. CHAPLIN. To look at the meat it would appear about the same, but I think there is a little difference in the quality if a man had his choice.

The CHAIRMAN. In this country a steer fed on alfalfa would sell as high as a steer fed on corn?

Mr. CHAPLIN. I think not; I do not think so.

The CHAIRMAN. What would be the difference in price?

Mr. CHAPLIN. I could not say; I am not an expert on that, but I do know that the Argentine beef is not quite as good as the corn-fed beef.

The CHAIRMAN. The climate might have something to do with that, the feed and climate?

Mr. CHAPLIN. It may be both.

The CHAIRMAN. Is it not a fact that some of the range cattle finished on alfalfa sell for about as high as the corn-fed cattle?

Mr. CHAPLIN. I think they do at times bring very nearly as high a price.

The CHAIRMAN. Of course, when it comes to a prime corn-fed steer, that is a different thing?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. I thank you very much.

Mr. ANDERSON. A 1,300 pound steer, would that be considered choice beef?

Mr. CHAPLIN. It would not be the very highest quality of beef, but it would be good beef. I do not know that you could call it "choice," but it would be very good meat. Choice beef, I think, runs usually heavier than 1,300 pounds.

Mr. ANDERSON. It did not seem to me that a 1,300-pound steer would quite be the average, but considerably above the average, and the basis of a steer considerably above the average might not be entirely illustrative of the difference.

Mr. CHAPLIN. No; I had to take what they actually have shipped from South America, which is a carcass of beef that averages between 700 and 800 pounds. That is what they call an export steer, that is about what they do ship, and I had to make the comparison on what the transactions were on.

Mr. ANDERSON. That is perfectly all right. I was just trying to get at the facts. I wanted to know whether a 1,300-pound steer is an average steer on the export basis.

Mr. CHAPLIN. Yes, sir; from South America.

Mr. ANDERSON. I had an idea that the cattle in South America were rather lighter.

Mr. CHAPLIN. No; that is the average. Some run a good deal heavier.

Mr. TINCHER. Do you know what the age of the export cattle was?

Mr. CHAPLIN. No; I think it is about 3 years. They have a very high grade of cattle.

Mr. TINCHER. I do not just understand that; their cattle sell higher in their money?

Mr. CHAPLIN. That is paper money.

Mr. TINCHER. The reason the price is above ours is on account of the exchange—that is the difference?

Mr. CHAPLIN. Yes. Our price is in gold and theirs is in paper. They sell in gold on about the same basis as ours. Their dollar is worth a little more than our dollar in gold, but it is only worth 44 cents in paper.

Mr. TINCHER. I do not just understand about the fattening. I suppose their climate is such that they can fatten the cattle on alfalfa?

Mr. CHAPLIN. They run them on alfalfa. They grow alfalfa, but they do not make hay out of the alfalfa to any extent.

Mr. TINCHER. They just run the cattle?

Mr. CHAPLIN. Yes, sir; they run the cattle on the alfalfa.

The CHAIRMAN. The fact is that they have large ranges in that section of the country, and they are all in good condition.?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. For the purpose of maturing the cattle?

Mr. CHAPLIN. Yes, sir; and all of a very high graded quality, and as fine a quality, as far as breeding goes, as you can find anywhere.

The CHAIRMAN. They have higher bred bulls than we have?

Mr. CHAPLIN. Yes, sir; the average is higher, I think.

The CHAIRMAN. This 1,300-pound cattle—that is prime cattle, corn fed?

Mr. CHAPLIN. In South America.

The CHAIRMAN. The 15 cents is not the highest priced beef, but you use that to compare with the meat that is imported from South America?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. Of course, the higher class of meat would sell for more than 15 cents a pound?

Mr. CHAPLIN. In London?

The CHAIRMAN. Here.

Mr. CHAPLIN. Yes, sir. This particular meat sold for 21 cents a pound.

The CHAIRMAN. But the 21 cents a pound compares in quality fairly well with the meat shipped to London at this price?

Mr. CHAPLIN. Yes, sir.

Mr. TINCHER. Who owns the packing houses in Argentina?

Mr. CHAPLIN. I think there are about a dozen different corporations that are engaged in the business. The largest one, I think, is at Sansinena, which is, I think, largely owned in South America; I am not very sure about that.

Mr. TINCHER. Do the American packers jointly own any packing houses there?

Mr. CHAPLIN. I do not know of any. The Swift International Co. is one of the largest. I think Armour has a plant.

Mr. TINCHER. What is the Swift International Co.; who owns it?

Mr. CHAPLIN. That is owned by a great many shareholders and the Swifts are interested. I think there must be fifteen or twenty thousand shareholders.

Mr. TINCHER. Are not some other packers in this country interested?

Mr. CHAPLIN. Yes; Armour has a plant.

Mr. WELD. They are not interested in the Swift International.

Mr. TINCHER. They are not operating together?

Mr. WELD. No, sir; not that I know of.

Mr. TINCHER. What country is it down south where they are operating?

Mr. CHAPLIN. I think there was one company—the La Blanca—in which, I think, two of the companies had an interest. I do not know how that stands.

Mr. ANDERSON. What is that?

Mr. CHAPLIN. The La Blanca Co. in Argentina.

Mr. ANDERSON. Are any of them interested in Brazil?

Mr. CHAPLIN. I know that the Swift International Co. has a plant in Brazil and I think Armour has; I am not sure about Wilson.

Mr. ANDERSON. I was under the impression that there was a plant somewhere in South America that was jointly owned, and my impression was that it was in Brazil, but my memory is rather hazy on that.

Mr. CHAPLIN. I think it was the La Blanca Co. I think there were two companies interested in that.

The CHAIRMAN. We are very grateful to you.

I am advised that Senate Document No. 248, Sixty-fifth Congress, second session, is out of print. It has been suggested that it would be well to have it incorporated in the hearings. There are about 20 pages. Without objection it will be so ordered.

There was no objection.

(The document referred to by the chairman, S. Doc. No. 248, 65th Cong., 2d sess., "Profiteering, letter from the chairman of the Federal Trade Commission in response to a Senate resolution of June 10, 1918, transmitting a report containing all facts, figures, data, or information now in possession of the Federal Trade Commission relative to profiteering, under date of June 29, 1918, follows.)

Senate Document No. 248, Sixty-fifth Congress, Second Session.

REPORT OF FEDERAL TRADE COMMISSION REGARDING PROFITEERING.

FEDERAL TRADE COMMISSION,
Washington, June 29, 1918.

To the PRESIDENT OF THE UNITED STATES SENATE.

SIR: The Federal Trade Commission submits the following report in response to the direction under Senate resolution 255 that it furnish the Senate with any and all facts, figures, data, or information now in possession of the Federal Trade Commission relative to profiteering which would in any way enable Congress to deal with the matter either through the present proposed resolution or through enactment of more effective criminal statutes.

Information upon the present range of profits in various industries in the Federal Trade Commission arises from three activities:

First. Cost finding by the commission for the War Industries Board, the Food Administration, the Fuel Administration, and other executive departments which have called upon the commission for this work.

Second. Industrial surveys undertaken by the commission at the direction of the President or upon its own initiative.

Third. Enforcement of the law against unfair methods of competition.

Under the first activity the commission has had recent view of many industries handling basic materials, including steel, copper, zinc, nickel, sulphur, lumber, coal, and petroleum and its products.

Under the second activity the commission has recently dealt with meats, leather, flour, and canned goods.

Under the third activity the commission has daily contact with the tendencies of trade as they are revealed through the numerous complaints filed with it for the application of remedies which are statutorily invested in the commission.

The outstanding revelation which accompanies the work of cost finding is the heavy profit made by the low-cost concern under a governmental fixed price for the whole country.

The outstanding fact in the industrial surveys which the commission has recently made is the heavy profit made by the meat packers and by those allied with them and by the flour millers.

The outstanding feature on the score of profit revealed in the regular work of the commission under the statute creating it and the Clayton Act is the trade tendency to increase and to maintain prices against the forces of competition.

The various items of industry herein are treated separately below.

The commission has reason to know that profiteering exists. Much of it is due to advantages taken of the necessities of the times as evidenced in the war pressure for heavy production. Some of it is attributable to inordinate greed and barefaced fraud.

In summarizing the information at hand certain features appear which it is well to note.

In the case of basic metals, as in steel, when the Government announced a fixed price, it was made so high that it would insure and stimulate production. This has resulted in giving a wide range of profits. Under the device of cost plus a margin of profit, these profits are necessarily great in the case of the low-cost mills. Thus, while the market was prevented from running away, as it would have done undoubtedly if it had not been regulated by a fixed price, the stronger factors in the industry are further strengthened in their position and enriched by profits which are without precedent.

Again, in the case of flour milling, it is apparent that while a Government fixed price for wheat and an allowance of maximum margin of profit over cost on flour have had the virtue of stabilization, nevertheless the profits resulting are heavy. Before the Government interfered flour sold in 1917 with an average profit as high as 52 cents a barrel. After the fixation of the price of wheat and the determination of a maximum profit of 25 cents per barrel of flour, the very high average profit per barrel dropped toward the maximum. Where this decline in price did not bring the price down to the maximum—that is, where the millers continued to exceed the Government maximum, as they did in many instances—many of the millers were actuated by the hope that they would be allowed to include income and excess-profit taxes in their costs and pass these taxes on to the consumer. However, if there had been a fairly general compliance with the maximum of 25 cents, the profits of the least efficient mills would have been considerable and those of the most efficient mills proportionally heavier. To the extent that the maximum price was exceeded, the profits were larger and in general were in fact very great.

The situation in coal gives still another angle of view to the same problem. Maximum prices were fixed by territorial divisions. Many of the coal producers have not taken the maximum, but, due to the fact that in a given field there is a very wide range in the cost of the coal produced in that field it follows that certain low-cost producers have made very large margins under the system of governmental fixed prices for the field. Many high-cost producers have made small margins. The bulk of the production, of course, enjoys the large margin. Information on the return on the investment now being collated, will reveal the exact amount of profit. Percentages of profit worked upon investment will obviously be very large in the case of low-cost companies.

The experience with steel, flour, and coal shows that a high stimulating fixed price, while stabilizing an ascending market, produces an economic situation which is fraught with hardship to the consuming public and with ultimate peril to the high-cost companies through increasing the power of their low-cost competitors.

In this connection a survey of the petroleum field shows that the market, when under the control of dominating factors, such as Standard Oil, can be one of huge profits without the device of the high fixed price. No price for the public has been fixed upon petroleum and its products by the Government. Unlike the situation in steel, flour, and coal, there has been as yet no Government interference with the law of supply and demand except in the instances of Government purchases. Under that law large profits may eventuate through the bidding up of prices by anxious buyers. And, moreover, even in the absence of this element, prices may be forced up by spreading false and misleading information concerning the condition of supply and demand. Reports, for instance, have been circulated that the supply of gasoline was endangered for the purpose of maintaining the high price of that product and the heavy profits from it. At different stages of the oil industry different products of petroleum have yielded the heavy profits. Kerosene was once the chief profit producer. Gasoline followed and superseded it as the chief producer of profits. Enormous profits are now being made in fuel oil, with the advantage to the refiner that the high price of that product meets no popular challenge. Gasoline is maintained at its present high price and produces heavy profits for the low-cost refiners.

Similarly, the power of dominant factors in a given industry in maintaining high prices and harvesting unprecedented profits is shown in a survey of the meat packing situation. Five meat packers, Armour, Swift, Morris, Wilson, and Cudahy, and their subsidiary and affiliated companies, have monopolistic control of the meat industry and are reaching for like domination in other products. Their manipulations of the market embrace every device that is useful to them, without regard to law. Their reward, expressed in terms of profit, reveals that four of these concerns have pocketed in 1915, 1916, and 1917, $140,000,000. Comparisons between their present profits and those of the prewar period are given below. However delicate a definition is framed for "profiteering," these packers have preyed upon the people unconscionably. They are soon to come under further governmental regulation approved by Executive order.

In cases where the Government fixes a definite margin of profit above costs, as in the case of flour, there is a considerable incentive to a fictitious enhancement of costs through account juggling. This has added to the volume of unusual profits. Increase of cost showing on the producers' books can be accomplished in various ways. The item of depreciation can be padded. Officers' salaries can be increased. Interest on investment can be included in cost. New construction can be recorded as repairs. Fictitious valuations on raw material can be added, and inventories can be manipulated.

The Federal Trade Commission has been vigilant and untiring in its exclusion of these practices. An instance of this practice was afforded by the Ismert-Hincke Milling Co., of Kansas City, Mo. This company padded its costs by heavily increasing all its officers' salaries and by manipulating the inventory value of flour bags on hand. As evidence of the length to which padding can be carried, it may be added that this company even included in its costs the gift of an automobile which it charged to advertising expenses. This case was heard of by the commission for the Food Administration. The commission recommended revocation of license and the recommendation was followed.

Payment of extraordinary salaries and in some instances bonuses to executives of corporations have been found by the commission during its investigations. An illuminating example of high remuneration charged to the expense account is that given by the American Metal Co. (Ltd.), of New York, the chief dealings of which are in zinc. Appended are the salaries and tantieme (French—an interest, commission, or proportional amount) of some of the chief officials:

B. Hochschild, chairman of board of directors	$179,663.36
C. M. Loeb, president	364,326.73
Otto Sussman, vice president	221,596.04
J. Loeb. vice president	147,930.69
Sol Roos, manager St. Louis office	148,530.69
M. Schott, manager Denver office	136,553.12

The complete list of salaries and bonuses to officers and employees of this company is given later in this report.

In addition to the information above given, the Federal Trade Commission occupies an advantageous position where it is possible to view certain tendencies in trade which bear upon the problem of profiteering. Under the law the commission has power to prevent unfair methods of competition, and it is daily in receipt of complaints which it investigates, and if it has reason to believe that an unfair method has been used, arraingns the party complained against for a hearing of the issue. It has developed that outside legitimate increases in price, due to higher costs and other economic elements, certain members of trade have preyed with shameless avarice upon the consumers. Two classes of cases handled by the commission will be cited.

Concerns bottling or canning vegetables which made contracts for future deliveries during the year 1917, in some instances, meeting a condition of inadequate crops and seduced by rising prices, withheld portions of their contract deliveries and sold spot on the market at the higher price. There were varying degrees in this practice. Some of the instances were flagrant, and in those cases the commission recommended the revocation of license of the offender to the Food Administration, and these recommendations were acted upon. A great number of complaints of failure to deliver futures were made wherein action was not taken, as the evidence showed that the canner was unable to secure supplies by reason of crop failures. The Food Administration has endeavored to meet this situation the present year by a delivery limitation on the amount named in the contracts for future delivery.

Another trade practice has developed in which the consignee refuses goods after shipment because the market has fallen, and, vice versa, the consignor refuses to ship on a rising market. These instances, which in the knowledge of the commission have not been numerous, have been handled by the commission in connection with the Food Administration and its power of revocation of license.

Still another trade practice which has increased the price of supplies to the consumer has been that of commercial bribery, upon which subject this body recently addressed the Congress, suggesting remedial legislation.

Again, the trade tendency of manufacturers maintaining the resale price of wares, has contributed to holding high the general price level and in instances has increased profits without question. The action of the courts and the Federal Trade Commission in prohibition of this policy is becoming generally known to the trades and will, in our opinion, work a correction by opening up some of the closed channels of competition.

In submitting the subjoined memoranda on the industries under consideration, the commission expresses the opinion that general trade, as the commission has opportunity to view it, is in a high state of prosperity. With some exceptions that condition has continued for several years past. Many of the industries are making unusual profits, some are showing outrageous ones. In an hour of national service and self-sacrifice, profiteering may be defined not only as the taking of an exorbitant profit but should include a refusal to share in bearing the burdens of war in the form of a reduction in profits when the profits have been large in prewar times.

STEEL.

In 1917, the steel companies made abnormal profits in the period prior to the Government price-fixing policy, and a number have continued to make unusually heavy profits since that policy was inaugurated. In finding cost in this industry for the War Industries Board, the commission divided the steel makers into four groups: (1) The fully integrated mills, (2) the mills which start with the manufacture of pig iron, (3) the mills that start with steel furnaces, and (4) the mills that make rolled products from purchased semifinished steel. The United States Steel Corporation is included in class one. Its profits expressed in terms of the total amount invested in the business show net earnings as follows:

	Per cent.		Per cent.
1912	4.7	1915	5.2
1913	5.7	1916	15.6
1914	2.8	1917	24.9

The figures, as to the net income of the Steel Corporation, as shown by the company for the years 1912, 1913, 1914, 1915, 1916, and 1917, before deducting Federal income and excess-profits tax in 1917, follow:

1912	$77,075,217	1915	$97,967,962
1913	105,320,691	1916	294,026,564
1914	46,520,407	1917	478,204,343

The Federal income and excess-profit taxes of the Steel Corporation for 1917 were $233,465,435, which leaves from net income $244,738,908, of which about one-tenth was applicable to interest on bonds of the corporation and the rest available for dividends and surplus.

From information in possession of the commission mills in class 2 appear to have made heavy profits in 1917. Recently, mills in class 3 made objection that the Government prices were too low for them. A special examination of their profits by the Federal Trade Commission showed that in almost every case these objecting mills were enjoying unusual returns. The following table of percentage of return on investment in 10 mills in class 3 will show the profits in 1917:

	Per cent.
Alan Wood, Iron & Steel Co	52.63
Allegheny Steel Co	78.92
American Tube & Stamping Co	40.03
Central Iron & Steel Co	71.35
Eastern Steel Co	30.24
Forged Steel Wheel Co	105.40
Follansbee Bros. Co	112.48
Nagle Steel Co	319.67
West Penn Steel Co	159.01
West Leechburg Steel Co	109.05

Mills in class 4, which buy the semifinished steel and convert it into the more highly developed steel products, have enjoyed substantial profits.

COPPER.

Very large earnings have been made in the copper industry on the whole, although it should be noted that they have been due in part to an unusually heavy demand for this metal, which is used almost exclusively for war purposes, directly and indirectly. The commission's figures show that 21 companies, including a large proportion of high-cost companies, made profits in 1917 which ranged from 1 per cent to 107 per cent on their investments. The average profit was 24.4 per cent. Probably over 70 per cent of the production is marketed at profits over 20 per cent on investment. These same companies show an average profit of only 11.7 per cent in 1913, which may be considered to be a normal year. Thus, the average profit in the industry has more than doubled. The range of profits in 1913 was from 1 to 56 per cent.

The profits used in these computations do not include Federal income or excess-profits taxes, and therefore represent sums actually retained by the companies for addition to surplus or dividends.

There does not appear on the whole to have been any concerted action in this industry in putting prices up in the first instance. The war scramble among the allies shot the prices of copper and other metals to almost unheard-of levels. But there are certain strong interests among the producers and marketers which predominate in certain stages of production, and these appear to have taken steps to maintain prices at unnecessarily high levels. In the first place, the smelters, and notably the American Smelting & Refining Co., have continued to hold in force certain deductions for risk of carrying copper bought from mines, which risks have ceased to exist. These deductions were put in force during the early period of the war before price was fixed by agreement with the War Industries Board. Their present maintenance amounts to profiteering at the expense of the miners, especially the small producers. On the other hand, some of the larger and richer mines have contracts, entered into before the war, running for periods as long as 20 years, which are extremely advantageous to them and which are now causing some refineries to operate at a loss.

ZINC.

Most of the evidence in the commission's possession indicates no unusual profits in the zinc industry, with the exception of the operations of the New Jersey Zinc Co.

Basing percentage on the capital stock issue of $35,000,000, the following net earnings and dividends are shown for the New Jersey Zinc Co., according to published statistics: 1916, profits, 72.5 per cent. dividends 76 per cent: 1917, profits, 56 per cent, dividends 46 per cent. The Federal Trade Commission's figures as to these same net earnings and dividends are available only for 1916, and indicate profits of 95.9 per cent, with dividends of 76 per cent.

These large earnings do not indicate excessive profits on metallic zinc. The company's profits on common spelter are very low, and on grade A spelter, while high, are due to the fact that it possesses a natural monopoly of a certain high-grade ore, the product of which can not sell for less than the zinc produced by competitors. In fact, the whole explanation of the New Jersey Zinc Co.'s large profits lies in its possession of an ore body of unusual richness and purity.

NICKEL.

The dominating factor in the nickel industry is the International Nickel Co., which produces practically the entire output of that metal in this country. The profits of the International Nickel Co. in 1916 were $13,557,000, and the dividends were $10,575,000, which sums amounted to 40 per cent and 31 per cent, respectively, based upon the investment as computed by the commission. Taking the total capitalization and surplus of the company as a basis, the net earnings would be 20 per cent and the dividends 15.6 per cent. In 1917 the profits on the commission's basis were 30 per cent and the dividends 24 per cent, and on the basis claimed by the company the profits were 15 per cent and the dividends 12 per cent.

This company has a natural monopoly based on the ownership of the Canadian mines from which the nickel ore is derived. It has, however, maintained prices on a prewar basis. Consequently, while prices are high and the profits very large, the increase in profits has been due to the increased war output rather than to advances in price. Therefore it does not seem that any profiteering can be charged, unless in a negative sense, i. e., the company might have been satisfied with smaller profits in war times. This is especially worthy of consideration, inasmuch as practically the entire output of the company is taken for war uses.

SULPHUR.

Two companies produce all the sulphur in this country, the Freeport Sulphur Co. and the Union Sulphur Co.

The cost of the Freeport company in 1917 was $6.15 per ton; in 1918 it is estimated that increases will bring the cost up to not over $9.50 per ton. In the first half of 1917 the Union company's costs were $5.73 per ton. The average realization of the Union company in the first half of 1917 was $18.11 per ton, making a margin of $12.38 per ton. The manufacturers of sulphuric acid are paying in the neighborhood of $25 per ton and some as high as $35 per ton, making margins of over $15 per ton for sulphur companies. The Freeport company's balance sheets show an operating profit for the 11 months ending October 31, 1917, of $4,301,310, or 236 per cent on investment. On November 30, 1916, the company's balance sheet shows dividends declared of $925,000; on July 31, 1917, $1,850,000; and October 31, 1917, $2,600,000. Its surplus increased from $1,254,000 in November, 1916, to $2,543,000 in October, 1917.

These companies may be said to have a natural monopoly of sulphur. Since they have placed their operations upon an established basis, they have always made large earnings. They have taken advantage of the existing situation to raise their prices.

LUMBER.

Information in the commission's possession does not indicate any excessive profits in the lumber industry on the west coast, although it is understood that producers of aeroplane spruce in that region have in the past taken advantage of allied governments. Information in the commission's possession does indicate unusually and unnecessarily large profits on the part of the southern pine producers. Forty-eight southern pine companies, producing 2,615,000,000 feet of lumber in 1917, made an average profit on the net investment of 17 per cent. This is unusually large for the industry, as is indicated by the fact that the average profit in 1916 was only 5.2 per cent. In 1917, 47 per cent of the footage of the companies covered was produced at a profit of over 20 per cent. The range of profits was from a small loss to over 121 per cent on the net investment.

The margin of profit per thousand board feet in 1917 was nearly double that in previous years, the figure being $4.83, as compared with $2.11 in 1916. A fair margin per thousand feet in the past has been recognized as being $3.

These figures for 1917 are the more notable for the reason that the profits shown do not include any payments of Federal income and excess-profits taxes, but are the sums actually available for additions to surplus or dividends. Information secured from the companies concerning their dividends and income taxes supports the preceding statements.

COAL.

Generally speaking, the bituminous coal operators in 1917 had very much larger margins than in previous years. While in 1916 the margins (what operators actually received for coal sold over f. o. b mine cost) may be regarded in some cases as lower than normal, yet the margins of 1917 were often two or three times the normal return In the figures for 1916 and 1917 mentioned below return on investment must be covered in margins shown. The increase of margins is illustrated by an examination of the returns for 1916 and 1917 of 23 typical bituminous coal companies in the central Pennsylvania field. The average margin of these companies in 1916 was 20 cents per ton, and in 1917 was 90 cents. The highest margin for any company of the 23 in 1917 was $1.85. The corresponding margin for this company in 1916 was 41 cents. Similarly the lowest margin for any of these companies in 1917 was 27 cents, the corresponding margin for the same company in 1916 being 13 cents.

Maximum coal prices f. o. b. mines were authoritatively fixed August 21 to 23, 1917, by Executive order, and subsequently modified by the Fuel Administration. Contracts made before that time were not invalidated. In some fields as high as 90 per cent of possible production was sold under contract prices. While some contracts were below legal maximum price, probably much the greater part of the coal sold under contract went at prices substantially in excess of legal maximum prices fixed for current sales.

April realizations contain relatively little coal sold on contracts made prior to August 21, since most such contracts expired April 1 1918. Sample reports for April operations, covering 12,619,274 tons actually mined in West Virginia, Pennsylvania, Ohio, Indiana.

Illinois, and Kentucky show an average margin between claimed f. o. b. mine cost and actual realization from sales of about 54 cents, as against a prewar margin of an average of 10 to 15 cents.

In anthracite the average receipts per ton, including all sizes, during the year 1914 (13 companies, producing 79 per cent of the total tonnage in 1916), were $2.86 per ton. The average receipts per ton of anthracite, including all sizes, allowing for later obligatory summer discounts on prepared sizes, during the period January-March, 1918 (6 companies, producing 50 per cent of the tonnage in 1916), were $4.26 per ton. The average labor cost increase per ton since 1914 was $0.76, and if this is deducted from the 1918 average receipts per ton an increase of $0.64 per ton (or 22 per cent) in average receipts is indicated, without allowance for increased cost of supplies and general expense.

In connection with the distribution of coal it may be pointed out that prior to the official regulation of jobbers' and of retailers' margins in August, 1917, there was evidence that many of the margins were unduly high when compared to the prewar margins. Details can be found in the Report of the Federal Trade Commission on Anthracite and Bituminous Coal, June 20, 1917. Sine the regulation was established most of the jobbers' transactions have been carried on within the fixed margin, and whenever violations have been detected the jobbers have been forced to refund the overcharges. It should be understood that jobbers' and retailers' margins do not represent net profits alone, but also include all expenses incurred by them from the time coal is purchased until it is sold.

PETROLEUM AND ITS PRODUCTS.

The data secured by the Federal Trade Commission for 106 refining companies for the first quarter of 1918, supplemented in certain cases by returns for the second six months of 1917, indicate that the average profit in the oil industry is about 21 per cent on the investment. This is a considerable increase over the rate of profits indicated for prewar years, as the commission's gasoline report indicates an average profit for the years 1913, 1914, and 1915 of 15 per cent on the investment. In 1917 over 50 per cent of the estimated production was produced by companies having a profit of over 20 per cent on the investment. Rates of profit ranged from losses up to 122 per cent.

The profits of the eastern refiners have been relatively larger than those on the Pacific coast. The situation in the East is due to the fact that while gasoline prices have been but slightly advanced, the prices of other products have been increased greatly, especially the price of fuel oil. The public knows little about prices except the price of gasoline and to a less extent kerosene. Formerly refineries operated for the sake of the gasoline almost exclusively, and fuel oil was commonly sold at a loss, but now fuel oil is a very profitable product.

The following table will show the per cent of net earnings on investment for a series of years. The earnings for 1918 are estimated on the basis of the second six months of 1917 or the first quarter of 1918.

	1913 [1]	1914 [1]	1915 [1]	First quarter, 1918.	1918 [2] (estimated).
Atlantic Refining Co	16.4	− 3.7	21.7	[3] 15.0	+30.0
Standard of Indiana	36.5	14.5	36.0	[3] 21.7	+43.3
Standard of New Jersey	9.7	7.8	20.6	[3] 9.1	+18.2
Standard of New York	21.2	8.1	16.0	[3] 6.6	13.3
Standard of Ohio	23.4	13.8	23.9	[3] 14.3	+28.6
Standard of Kansas	91.6	1.0	17.9	[4] 25.6	+51.3
Magnolia Petroleum Co	19.2	16.5	14.2	4.4	17.6
Standard of California	16.8	12.5	10.6	6.5	+25.9
Continental Refining Co	1.6	−7.8	3.3	1.2	+ 4.7
Empire Oil Works	4.4	−3.1	5.6	7.3	+29.2
Penn American Refining Co	35.3	13.3	12.3	15.8	+63.1
Cosden & Co	....	30.6	−50.7	5.9	23.5
Muskogee Refining Co	8.7	6.9	18.8	6.2	+24.8
National Refining Co	24.9	8.0	20.4	2.3	9.2
The Texas Co	17.1	13.3	12.7	[3] 13.3	26.7

[1] See pp. 108-109 of Report on the Price of Gasoline in 1915.
[2] Estimates based on figures for last six months of 1917 or first quarter of 1918.
[3] Six months period, July-December, 1917.
[4] Last six months of 1917.

MEAT PACKING.

An exposition of the excess profits of four of the big meat packers (Armour, Swift, Morris, Cudahy, omitting Wilson as not comparable) is given in the fact that their aggregate average prewar profit (1912, 1913, and 1914) was $19,000,000; that in 1915 they earned $17,000,000 excess profits over the prewar period; in 1916, $36,000,000 more profit than in the prewar period; and in 1917, $68,000,000 more profit than in the prewar period. In the three war years from 1915 to 1917 their total profits have reached the astounding figure of $140,000,000, of which $121,000,000 represents excess over their prewar profits.

These great increases in profits are not due solely to increased volume of business. The sales of these companies in this period increased 150 per cent, much of this increase being due to higher prices rather than to increased volume by weight, but the return of profit increased 400 per cent, or two and one-half times as much as the sales.

The profit taken by Morris & Co. for the fiscal year ended November 1, 1917, is equal to a rate of 18.6 per cent on the net worth of the company (capital and surplus) and 263.7 per cent on the three millions of capital stock outstanding. In the case of the other four companies the earned rate on common capital stock is much lower—from 27 per cent to 47 per cent—but the reason for this is that these companies have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Thus Armour in 1916 raised its capital stock from twenty millions to one hundred millions without receiving a dollar more of cash. If Swift, Wilson, Cudahy, and Armour had followed the practice of Morris in not capitalizing their surpluses (accumulated from excessive profits), they too would now show an enormous rate of profit on their original capital.

Rates of profit earned by these five companies in war years compared with the prewar average, based on net worth (capital and surplus) and on common stock, are as follows:

Actual profit on net worth.	Armour.	Swift.	Morris.	Wilson.	Cudahy.
	Per cent.	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
Prewar average, 1912–14	6.2	8.3	6.8	(1)	7.3
War average, 1915–1917	14.6	21.0	13.5	(1)	14.1
Year 1917	[2] 16.8	26.7	18.6	23.8	18.7
Rate on common stock, 1917	[2] 27.1	47.2	263.7	42.5	47.0

[1] Figures not available.
[2] Foreign business not included would undoubtedly raise percentages.

The independent packers, as measured by results compiled for 65 of the largest of them, earned during 1914, 1915, and 1916 a rate of profit as high or slightly higher than that earned by the big packers in those years. The profits of these independent companies for 1917 are not as yet available.

LEATHER AND LEATHER GOODS.

During the year 1917 a large proportion of the tanners in the United States made unusual profits. As the commission reported in January last, reports of a number of the larger companies show that net profits in 1916 were in several instances two, three, four, or even five times as large as in 1915, and the 1915 net profits in turn showed increases of from 30 per cent to more than 100 per cent over those of 1914. One striking instance is a company whose net profits were reported as follows:

1914	$644,390.90
1915	945,051.37
1916	3,576,544.27

The tanners took advantage of the enormous demand for leather and took very high prices. During 1917 the prices of hides, particularly packer hides, were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public.

Many shoe manufacturers in 1917 made larger profits than usual. Wholesale shoe dealers secured wider margins of profit in 1917 than they had been accustomed to receive. The margins of retail shoe dealers widened greatly during 1917, especially upon fancy shoes. This was true to a less extent on staple shoes. It appears that the retailer has profited more in proportion than the wholesaler.

As an indication of earnings of the big packers in the selling branch of their leather business the following is quoted from a letter of January 17, 1917, by the Eastern Leather Co., an Armour selling subsidiary, to Mr. F. W. Croll, of Armour & Co.:

> We are inclosing our check on the National City Bank, New York City, payable to Mr. J. Ogden Armour, for $915,787, same being a dividend of 53 per cent on the 17,279 shares of common stock standing in his name. In addition to this, and in accordance with our conversation when in Chicago, we have set aside as a surplus $250,000, which represents 10 per cent on the common stock.
>
> We are also inclosing a check on the National City Bank for $202,145.62 payable to Mr. Armour, this being the balance due on 6,020 shares of common stock held for employees.

Here is a memorandum of May 15, 1917, from J. D. Murphy to Mr. H. W. Boyd, president of the Armour Leather Co.:

MAY 15, 1917.

Mr. H. W. BOYD:

Herewith comparative statement of results in the leather business for the three months ending April 28, showing earnings of $1,964,945.18. This does not include Woodstock, as we have not finished enough of our own leather up there to make a loss and gain result of any value as indicating the possibilities of the plant.

As per Mr. Armour's instructions, given through Mr. Stull, we are charging off in reduction of the above the following reserves:

Earnings as above		$1,964,945.18
Reserve for income tax, 3 months ending Apr. 29, 1917	$36,915.61	
Reserve for estimated excess-profits tax, 6 months ending Apr. 28, 1917	423,620.84	
		460,536.45
Net earnings		1,504,408.73

J. D. MURPHY.

Here is another letter, in which Mr. H. W. Boyd writes Mr. Armour comparing the results for the Armour Leather Co. with the Central Leather Co.'s statement:

OCTOBER 31, 1917.

DEAR MR. ARMOUR:

In reference to the Central Leather Co.'s statement, would say that it does not compare favorably with ours. You will notice that after deducting interest and dividends they only have $40,000 to add to the surplus. We made $600,000 and they are doing four times the amount of business and only made $1,900,000, and, as stated above, after deducting interest on the bonds and paying dividends they only had $40,000 left to add to their surplus.

I think, considering their lumber business, which is wonderful (the manager of the Pennsylvania Lumber Co. told me that they never expected to realize the profits they were making on hemlock lumber, and that they were doing an enormous business), that our statement is a great deal better than theirs.

Yours, truly,

H. W. BOYD.

Mr. J. OGDEN ARMOUR,
City Office.

The way in which Swift & Co. proceeds when a Government limitation of profits is expected is shown by the following letter, in which Louis F. Swift writes to his brother, Ed. F. Swift, stating that he has learned that the Government expects to establish profit control in the leather industry and suggesting the advisability of reappraising their properties in certain companies. Edward F. replies:

I approve, if done quietly and promptly.

E. F. S.

The letter with marginal direction is as follows:

GOVERNMENT CONTROL—LEATHER COMPANIES.

CHICAGO, *November 26, 1917.*

Mr. EDWARD F. SWIFT, *Second floor.*

We have had a virtual statement from Mr. Cotton that the Government expects to establish profit control in the leather industry. With this notice, I think we should at least consider the advisability of reappraising the properties of the following companies: A. C. Lawrence Leather Co., National Calfskin Co., Winchester Tannery Co., St. Paul Tannery Co., Ashland Leather Co., St. Joseph Tanning Co. (in which we have only 50 per cent ownership).

If it is agreeable to you, will arrange with Mr. Moon to go into the matter and submit figures. Awaiting your reply,

LOUIS F. SWIFT.

I approve if done quietly and promptly.

L. F. S.

FLOUR.

The flour millers have had unusual profits for considerably more than a year. Information collected and verified by the commission shows that for the four years ending June 30, 1916, a profit of 13½ cents on each barrel of flour and 12 per cent on the capital investment. These figures came from accounts covering nearly 40,000,000 barrels output annually. This is somewhat less than 40 per cent of the annual output of the whole country but a very much larger part of the flour sold in the regular commercial market.

In other words, these figures apply to mills that in large part supply the demand for flour in interstate commerce and for export. The years covered 1913–1916, and should probably be accepted as fairly representative in spite of the fact that the war demand in 1915 and 1916 would lead one to expect them to show an abnormally high profit.

In the year ending June 30, 1917, these same mills made an average of 52 cents on each barrel of flour sold, and nearly 38 per cent on their investment, profits that are indefensible, considering that an average of the profit of one mill for six months of the year shows as high as $2 per barrel.

The commission has tabulated returns covering the sale of something over 4,000,000 barrels of flour made and sold under the Food Administration's regulations from September, 1917, to March, 1918, inclusive. In face of the regulation of 25 cents per barrel maximum, the average profit per barrel on this flour was about 45 cents or over three times the normal profit per barrel referred to above. The return on investment was apparently between 25 and 30 per cent. However, with prices maintained at the same level, cost would probably have increased and profit would have been somewhat reduced in April, May, and June, 1918, because of the smaller output in those months. The average net profit of jobbers reporting to the commission was about 15 cents per barrel for 1913 and 1914, but increased to nearly 50 cents in the first half of 1917. These profits include all the pay received by the proprietors of the business for their services. It is clear that if the profit above such pay was reasonably high in 1913 and 1914, it was exorbitant in the first half of 1917. The Food Administration has succeeded in reducing the profit of these concerns, but for the year 1917 it was still over twice as high as in the earlier years.

CANNED MILK.

About three-fourths of the total canned milk (evaporated and condensed) is produced by 10 companies. Nearly one-half of the total pack is produced by three companies—Borden's Condensed Milk Co., Helvetia Milk Condensing Co., Carnation Milk Products Co. These three companies occupy a strong position in the trade. The price statistics between 1907 and 1917 show that practically every rise and every decline was inaugurated by either Borden or

Helvetia, and the small manufacturers followed. In 1916 and 1917 the war demand caused prices to ascend so rapidly that the problem of declines was obviated until the beginning of 1918.

In 1917, according to the statement of the company, Helvetia made over 20 per cent on cost and over 65 per cent on investment. The Borden company made approximately 18 per cent on cost. The Borden company's costs are relatively high.

The Helvetia company in a letter to the commission, under date of March 19, 1918, says:

> We desire to say, however, in connection with the total earnings of the company and the margin of profit shown during the year, that it was our judgment at all times during the year that we were making a larger profit on our goods than we were entitled to make. * * *.
>
> We desire to say in explanation of the year's profit—but not in defense of it—that the profit which the company made during the year was regulated by conditions entirely beyond the control of the directors and officers of the company.
>
> During a large part of the year the demand on the market was so strong that it was with great difficulty that the price was kept from going much higher than any point reached during 1917. * * * Most of the price advances during the year were made by us in self-protection and in an effort to keep orders from piling up on us beyond our capacity to fill. We were compelled on one or two occasions to withdraw prices and refused to take orders, except at prices to be determined at the date of shipment (which in a rising market would naturally be higher), this plan being adopted on account of the necessity for protecting ourselves against the unusual and abnormal buying.

In extenuation this letter goes on to say that in estimating costs for the purpose of announcing its prices the company had overestimated its increase in cost. During 1917 the cost of producing evaporated milk (talls) was, in some months, but a little more than $4, and even in the high-cost months not much more than $4.50. These figures represent the costs of most of the manufacturers. The price of evaporated (talls) prevailing in the market during most of the year ranged from about $5 to $5.50. The unprecedented increase in the canned-milk business, due to the war demand, enabled the milk manufacturers, with such margins between costs and prices, to make unusual profits.

SALMON CANNERS.

Approximately 90 per cent of the salmon packed in 1917 was produced at a cost under $7.25 per case. To this should be added selling expense. This item, as reported by 24 companies packing practically 50 per cent of the year's production, was 28 cents per case. However, the 28 cents does not include brokerage and cash discounts in all cases, and it is estimated that 50 cents per case would be a fairer allowance. This would bring the representative high cost up to $7.75.

The weighted average of the 1917 opening prices for different grades of salmon was $8.29 per full case, but more salmon was sold above than below this price during the year. This indicates a margin for a high-cost canner of 54 cents per case and larger margins on the bulk of the production.

The average investment per case in 1917 was $4.32.

It follows that the marginal percentage earned upon a reasonable investment by the high-cost canners was approximately 12½ per cent. Several canners having costs in the vicinity of $7.25, which might be taken as concrete illustrations, made profits as follows:

	Cost.	Profit.
		Per cent.
Alaska Salmon Co	$7.12	19
Everett Packing Co	7.43	5
San Juan Packing Co	7.02	24
Cascade Packing Co	7.13	62
Ocean Food Packing Co	7.58	14
Salina Packing Co	7.71	31

The foregoing statements are based upon the representative high-cost company, one whose cost would cover 90 per cent of the total pack. The following figures concern the average:

In 1917 the average net profit on investment of 90 companies, packing 7,426,678 full cases (87 per cent of the total year's pack) was $2.28 per case, or 52.8 per cent on the net investment in the salmon canning business proper. This average of 52.8 per cent does not reveal the fact that some of the low-cost companies, included in the average, made over 200 per cent. It is significant that some of these low-cost companies are those allied with the big meat packers.

SALARIES AND BONUSES.

Below are given the payments in salaries and commissions which were made in 1917 for services rendered by the American Metal Co. (Ltd.), New York. These payments are reported as being made exclusively for services in their capacity as described below, and charged in all cases to expense account:

Salaries and commission.

OFFICERS AND MANAGERS.

Name of payee.	Address.	Position.	Total payment
B. Hochschild	61 Broadway, New York	Chairman of board of directors	$179,663.36
C. M. Loeb	do	President	364,326.73
Otto Sussman	do	Vice president, chief mining department.	221,596.04
J. Loeb	do	Vice president, chief sales department.	147,930.69
T. Sternfeld	126 West Seventy-fourth Street, New York	Director and treasurer to June 30, 1917.	86,312.90
Henry Bruere	61 Broadway, New York	Vice president	82,810.23
Julian B. Beaty	do	Director and treasurer since June 30, 1917.	77,710.23
H. K. Hochschild	do	Vice president, chief South American department.	51,810.23
H. V. Putzel	do	Director and chief of zinc ore department.	52,710.23
M. Roos	do	Cashier and custodian of securities	79,065.35
S. Adler	do	Chief auditor and accountant	79,065.35
H. Bernstorff	do	Chief, ore department	52,410.23
Sol Roos	1625 Boatmen's Bank Building, St. Louis, Mo.	Manager, St. Louis office	148,530.69
M. Schott	825 A. C. Foster Building, Denver, Colo.	Manager, Denver office	136,553.12
Wm. Simon	1625 Boatmen's Bank Building, St. Louis, Mo.	Assistant manager, St. Louis office	38,155.11

Salaries and commission—Continued.

MANAGERS AND EMPLOYEES.

Name of payee.	Address.	Position.	Total payment.
W. E. Brady	61 Broadway, New York	Manager of transportation department (now A. M. Metal Transportation Co.).	$11,800.00
W. H. Brady	do	Assistant cashier	9,300.00
H. M. Burkey	do	Metallurgical department	5,200.00
M. Fauquembergue	do	Chief clerk sales department	9,300.00
John Fornfinne	do	Assistant traffic manager	7,400.00
Gustav Leers	do	Traffic manager	9,150.00
B. F. Phillipson	do	Assistant manager ore department	9,600.00
E. T. Villareal	do	Manager foreign metals department	12,200.00
Hans Schild	do	Bookkeeper	6,190.00
Wm. Weidowke	do	Clerk zinc-ore department	5,850.00
John MacLetchie	do	Auditor for subsidiary corps.	12,800.00
B. N. Zimmer	2287 Henry Oliver Building, Pittsburgh, Pa.	Manager Pittsburgh office and Langeloth Works.	10,800.00
H. L. Brown	825 A. C. Foster Building, Denver, Colo.	Mining engineer, Denver, office	6,350.00
F. D. Weeks	Canandaigua, N. Y.	Chief manager engineer (resigned)	23,500.00
C. E. Kayser	406 First National Bank Building, Bartlesville, Okla.	Manager gas operations	7,000.00

The foregoing is as complete a reply to the Senate's question as the commission has been able to prepare during the time at its disposal. It must be stated that the instances cited are by no means a complete catalogue.

All of which is in support of the statement of the President, when, in his address to a joint session of Congress on May 27, 1918, he said:

> The profiteering that can not be got at by the restraints of conscience and love of country can be got at by taxation. There is such profiteering now, and the information with regard to it is available and indisputable.

THE FEDERAL TRADE COMMISSION,
WILLIAM B. COLVER, *Chairman.*
JOHN FRANKLIN FORT, *Vice Chairman.*
VICTOR MURDOCK.

There is also printed by order of the committee the following:

ANSWER OF SWIFT & CO. TO THE FEDERAL TRADE COMMISSION—REPORT OF JUNE 29, 1918, ON PROFITEERING.

In its report of June 29, 1918, on "Profiteering," the Federal Trade Commission has done the packing industry of the country a gross injustice by making misleading statements with regard to its profits and by making serious charges that are not substantiated by any proof.

Swift & Co. bases its criticism of the Trade Commission's report on the following points:

1. The report contains unfair and inaccurate comparisons of war profits with prewar profits.
2. The report contains an absolute misstatement of fact with regard to the prices of hides.
3. Profit figures are presented in such a way as to give a totally false impression as to their magnitude.
4. The Trade Commission does not mention that profits on meat have been limited by the Food Administration since November, 1917.
5. The report does not mention that it has been necessary for the packers to leave the bulk of their profits in their businesses to finance heavy inventories, and to build additions and improvements made necessary largely by war demands.
6. The report definitely accuses the packers of having a monopoly and of breaking the law, without giving any facts to substantiate this accusation.

The whole report is a sensational and one-sided affair. It has already aroused protests from leading business men and newspapers against a department of the Government which requires the confidence of business men in order to do effective and constructive work.

If the large packers were in the habit of issuing such misstatements and manipulated figures as appear in the recent report of the Federal Trade Commission on war profits, there might be some cause for the serious and unsubstantiated charges made against the packers by the Commission.

The Federal Trade Commission was designed originally to serve a useful and nonpolitical purpose; it has already been used as a stepping stone for political aspirants, and it is degenerating into a vehicle for the issuance of sensational and misleading statements about American business.

There can be no objection to a fair statement or investigation of war profits on the part of the Government, as a foundation for excess profit taxation, but there can be no excuse for seizing such an opportunity to discredit honest American business concerns, especially those that have done their utmost, and successfully, to meet war demands.

The packing business has kept quiet for so many years under frequent attacks that everyone feels free to make sensational charges against it at any time. Swift & Co. at least does not intend to stand for this kind of treatment any longer, and considers it a public duty to combat false accusations, and to give out accurate information. Otherwise, the packing industry might be reduced by shortsighted Government interference to the condition that the railroads have been reduced to during the past few years. No other industry has been able to fulfill war-time demands so promptly and efficiently as the packing industry.

The two most glaring perversions of fact about the packing industry in the recent report of the Trade Commission are the comparison of war with prewar profits, and the insinuation that the packers have been responsible for the high prices of hides and leather. The paragraph on this latter subject includes an absolute misstatement of facts.

1. UNFAIR AND INACCURATE COMPARISON OF WAR WITH PREWAR PROFITS.

In comparing war profits with prewar profits, the Trade Commission figures are inconsistent and misleading, and apparently compare a three-year total war profit with a one-year prewar profit. It states that the average one-year profit of four packers for the three years before the war was $19,000,000, and that the aggregate profits for all three war years was $140,000,000, showing an increase of $121,000,000 during the three war years. Such a comparison, which has been given wide publicity by the press of the country, is obviously unfair.

The report also presents the following figures:

Average:	
1912	$19,000,000
1913	19,000,000
1914	19,000,000
Total	57,000,000
"Excess" profit:	
1915	17,000,000
1916	36,000,000
1917	68,000,000
Total	121,000,000
Actual profit (by addition):	
1912–1915	36,000,000
1913–1916	55,000,000
1914–1917	87,000,000
Total	178,000,000

The figures in the last column are obtained by adding the "excess" for each year to the average prewar profit. The sum of these shows a total profit of $178,000,000 for the three war years. Either the figures which total $178,000,000, or the statement that the total profit was $140,000,000, is incorrect.

The $140,000,000 corresponds with the published statements of the four packers concerned. Possibly the Trade Commission has included certain appropriations to reserves in obtaining the figures which total $178,000,000.

The important point is that the Trade Commission's own statement of profits, in the same paragraph of the report, do not coincide with each other, and the inclusion of an inaccuracy of this sort, whether favorable to the packers or not, tends to discredit the value of the whole report. Whichever figure represents the true profit of the packers—the $140,000,000 which corresponds with the published statements, or the $178,000,000, obtained by adding figures presented by the Commission, the packers are ready to defend as reasonable and just, considering the volume of business handled, the returns made to stockholders, and the need of greater funds to finance the business during war times.

2. MISSTATEMENT CONCERNING HIDES.

As for the reference to hides, the Trade Commission says that during 1917 the prices of hides, particularly packer hides, were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public. The statement that hide prices advanced during 1917 is absolutely false. The following figures, taken from the Yearbook of the Chicago Drovers' Journal, show that, except for the hides from heavy native steers, the general tendency of native packer hides was downward:

Prices of hides per hundred pounds, Chicago, 1917.

Months, 1917.	Heavy native steers.	Light Texas steers.	Branded cows.	Averag price 10 grad
January	$32.87	$31.50	$31.25	[illegible]
February	31.50	31.00	31.00	[illegible]
March	30.35	29.80	29.60	[illegible]
April	29.62	29.75	29.25	[illegible]
May	31.70	31.80	31.00	[illegible]
June	32.75	31.37	29.75	[illegible]
July	33.25	31.37	29.00	[illegible]
August	33.70	30.20	27.10	[illegible]
September	32.87	25.75	22.25	[illegible]
October	33.87	27.00	22.62	[illegible]
November	34.90	28.10	23.40	[illegible]
December	35.00	27.37	22.00	[illegible]

The insinuation that packers advanced the prices of hides arbitrarily is without foundation. The large packers are not only in keen competition with each other, but with many outside dealers. The domestic supply of hides in 1917 was the largest in the history of the country, and the demand did not keep pace with the supply. Swift & Co. sold 20 per cent more hides in 1917 than during the preceding year and got rid of them as rapidly as the market could absorb them, and suffered losses on many of these sales.

Swift & Co. wrote to the Federal Trade Commission in March, correcting misstatements in the preliminary report of the Trade Commission on the hide and leather situation, issued last January, but the Trade Commission has apparently paid no attention to these corrections and explanations.

3. UNFAIR TREATMENT OF PROFIT FIGURES.

In addition to the comparison of war with prewar profits referred to above, the whole presentation of the matter of profits is misleading and tends to give a false impression. Where it is said that the packers "have preyed upon the people unconscionably," one might infer that the high prices of meat have been due to large profits of the packers. To be entirely fair, the Trade Commission might have explained that these profits amount to such a small fraction of a cent a pound that if eliminated entirely there would have been practically no effect upon the prices of meat or live stock. Where it is said that the total profits of the four large packers for the three war years amounted to $140,000,000, it should have been explained that this profit was made on a total volume of business of $4,570,000,000 and amounted to only about 3 cents on each dollar of sales.

4. THE REPORT DOES NOT MENTION THAT PROFITS ON MEAT ARE LIMITED BY FOOD ADMINISTRATION.

The Federal Trade Commission should also have explained that since November, 1917, the Food Administration has limited the profits of the five large packers in their meat departments to 9 per cent on the capital employed, amounting to about 2 cents on each dollar of sales. No profit whatever is guaranteed.

5. SENSATIONAL METHOD OF STATING MORRIS & CO.'S PROFIT.

Another indication of the unfairness of the Trade Commission is the way in which it featured the fact that in 1917 Morris & Co. earned a profit of 263.7 per cent on its capital stock. It is true that the Trade Commission says that this was equal to a rate of 18.6 per cent on the net worth of the company, but to have emphasized the fact that the profit was 263 per cent on the small nominal capitalization of $3,000,000 is evidence of the commission's desire to present sensational and misleading information. The extent to which the press dispatches throughout the country have featured this 263 per cent, without any explanation, is ample proof that the commission was unjust in presenting the figure the way it did.

The report goes on to say that while the other packers have made lower returns on their common capital stock it is because they have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Speaking for Swift & Co., this statement is entirely untrue. Every cent of the $100,000,000 capital upon which the earnings have been computed has been paid in in cash. Furthermore, there is nothing reprehensible in the practice of issuing capital stock for earnings that have accrued and been allowed to remain in the business.

6. IT IS NOT EXPLAINED THAT WAR PROFITS HAVE BEEN NECESSARY.

Furthermore, the impression is given that these packers' profits quoted in the report were earned in cash and distributed to the owners of the business. The Trade Commission says that they were "pocketed." As a matter of fact, speaking for Swift & Co., after the payment of 10 per cent dividends to 20,000 stockholders out of the 1917 profit, the remainder was put back into the business to finance operations and to build extensions and improvements.

In discussing war profits, a distinction should be made between those industries which earn a clear cash profit which can be taken out by the owners, and those businesses which have to keep their profit tied up in the business. At the very high prices prevailing during the past year, Swift & Co. has found it difficult to finance its business; whereas, inventories ran from $50,000,000 to $75,000,000 before the war, they have been running as high as $150,000,000 during recent months. Even with over two-thirds of our net profits of 1917 put back into the business, we have had to issue more stock in order to raise money to properly finance the business.

Another fact that should be considered in connection with war profits is that they have been earned on continuously rising markets. Prices have advanced so rapidly, even between the time of purchasing live stock and the sale of resulting products, that unexpected, as well as necessary, profits were earned. We do not feel, however, that these profits are entirely earned, because sooner or later there is bound to come a period of receding prices, when our profits will not only be smaller than anticipated, but may even turn into losses. It is necessary, both for our own business and for the welfare of the country, that we protect ourselves against this occurrence.

7. THE MONOPOLY CHARGE.

Finally, the trade commission openly accuses the packers of having a monopoly and of manipulating the market without regard to law. This is a very serious charge and no department of the Government should make it unless it has the facts to prove its case. The Federal Trade Commission has no such facts, because they do not exist. Swift & Co. stands ready to prove to any unprejudiced person that it is in open competition with the other packers; that it has no power to manipulate prices, even if it desired to do so; and that it has lived up to the law in every respect.

The whole report of the Federal Trade Commission is a one-sided affair. It not only ignores business fundamentals, but willfully misrepresents the facts. The industries affected have been given no opportunity to explain their side of the case and the commission gives no explanations of the business reasons for the facts gleaned from the packers' books. We protest that this is not a proper way for such an important department of the Government to proceed.

(There is also inserted the summary contained in Part I of the Federal Trade Commission Report, authorized incorporated on page 200 of these hearings.)

SUMMARY OF REPORT ON MEAT-PACKING INDUSTRY.

LETTER TO THE PRESIDENT.

3 July, 1918.

To the President of the United States.

Sir: On February 7, 1917, you directed the Federal Trade Commission to "investigate and report facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations of the antitrust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest," to the end that "proper remedies, legislative or administrative, may be applied."

On July 1, 1917, funds for carrying out this direction became available and the Commission undertook the task.

The work fell naturally into various divisions and reports have already been made to you with reference to the milling and jobbing of wheat flour and the preparation and distribution of certain canned food products. Other divisions will be the subject of reports to you as rapidly as the results of our studies can be reduced to proper form. At this time we are reporting to you on the meat-packing industry.

Answering directly your question as to whether or not there exist "monopolies, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law and the public interest," we have found conclusive evidence that warrants an unqualified affirmative.

This evidence in summary form accompanies this letter and will be set forth in more detailed form in seven reports in support of our findings and recommendations, which will be placed in your hand at the earliest possible moment.

While we have found and will disclose to you an intricate fabric of "monopolies, controls, combinations, conspiracies, and restraints" which would seem to indicate a similarly complex and minute system of legislative or administrative remedies, we believe that an adequate remedy may be more simply arrived at.

We believe that if the fundamental and underlying evils are rooted out the whole structure of conspiracy, control, monopoly, and restraint must fall.

If we are correct in this judgment, the task of applying legislative and administrative remedy is greatly simplified.

It appears that five great packing concerns of the country—Swift, Armour, Morris, Cudahy, and Wilson—have attained such a dominant position that they control at will the market in which they buy their supplies, the market in which they sell their products, and hold the fortunes of their competitors in their hands.

Not only is the business of gathering, preparing, and selling meat products in their control, but an almost countless number of by-product industries are similarly dominated; and not content with reaching out for mastery as to commodities which substitute for meat and its by-products, they have invaded allied industries and even unrelated ones.

The combination has not stopped at the most minute integration but has gone on into a stage of conglomeration, so that unrelated heterogeneous enterprises are brought under control.

As we have followed these five great corporations through their amazing and devious ramifications—followed them through important branches of industry, of commerce, and of finance—we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

The producer of live stock is at the mercy of these five companies because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market.

The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

The stock car is a part of the equipment of the common carrier whose services are necessary to the producer of meat animals so that he may reach the market. The railroads furnish suitable cars for the transportation of other kinds of freight, and as to the use of such cars the miner of coal or the manufacturer of furniture are on an equality, but in the matter of transportation of live stock to a small degree there comes in a private ownership and a control and a manipulation of the means of transportation—the stock car—so it is that we recommend:

> 1. That the Government acquire, through the Railroad Administration, all rolling stock used for the transportation of meat animals and that such ownership be declared a Government monopoly.

In the transportation of all other kinds of freight the transportation companies provide proper and suitable freight depots. The proper and suitable freight depot for live stock is a stockyard with its equipment of exchange buildings, terminal railways, and means of distributing full, unbiased, helpful market information, etc. We therefore recommend:

> 2. That the Government acquire, through the Railroad Administration, the principal and necessary stockyards of the country, to be treated as freight depots and to be operated under such conditions as will insure open, competitive markets, with uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of live-stock production in the United States may require. This to include customary adjuncts of stockyards.

A requisite for the proper transportation of fresh meat and dairy products is that type of rolling stock known as refrigerator cars. The railroads supply proper, special types of cars for other classes of freight, but the beef refrigerator cars and icing facilities, which are absolutely necessary for the transportation and distribution of fresh meats, are in private ownership. This ownership furnishes these five great packing companies one of their most powerful means for controls, manipulations, and restraints. Lacking access on equal terms to these facilities competitors of the five great packers are at their mercy, and, competition being stifled, the consumer similarly is helpless. We therefore recommend:

> 3. That the Government acquire, through the Railroad Administration, all privately owned refrigerator cars and all necessary equipment for their proper operation and that such ownership be declared a Government monopoly.

Proper freight houses are provided by common carriers for the various sorts of freight except meat and perishable products. The indicated freight depot for such commodities is a cold-storage house. Such a depot used as a distributing station, if free of access to all, would constitute an agency for fair and free competition. Such a depot in private hands, as now, constitutes an invincible weapon for monoply and control and manipulation. We therefore recommend:

> 4. That the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption. The same to be operated by the Government as public markets and storage places under such conditions as will afford an outlet for all manufacturers and handlers of food products on equal terms. Supplementing the marketing and storage facilities thus acquired, the Federal Government establish, through the Railroad Administration, at the terminals of all principal points of distribution and consumption, central wholesale markets, and storage plants, with facilities open to all upon payment of just and fair charges.

The Commission believes that these four suggestions strike so deeply at the root of the tree of monopoly that they constitute an adequate and simple solution of a problem the gravity of which will be unfolded to you in the pages which follow.

Out of the mass of information in our hands, one fact stands out with all possible emphasis. The small dominant group of American meat packers are now international in their activities, while remaining American in identity. Blame which now attaches to them for their practices abroad as well as at home inevitably will attach to our country if the practices continue. The purely domestic problems in their increasing magnitude, their monoplization of markets and their manipulations and controls, grave as those problems are, are not more serious than those presented by the added aspect of international activity. This urgently argues for a solution which will increase and not diminish the high regard in which this people is held in international comity.

Some show of competition is staged by the five great packing companies. It is superficial. There is the natural rivalry of officials and departments, and this is made much of as indicating the existence of real competition. It is not real. How sham it is will be fully set out in the accompanying summary and the complete reports

Some independent packers exist by sufferance of the five, and a few hardy ones have survived in real competition. Around such few of these as remain the lines are drawing in.

Having answered affirmatively the question to which you directed our attention and having summarized what we believe to be the simplest form of an adequate remedy, and before proceeding to a more detailed discussion of the subject, we make acknowledgment of the tireless industry, the fidelity to the public interest, and the patience and forbearance of the men who have composed the Commission's staff in this inquiry.

These men have met and overcome every obstacle that ingenuity and money could devise to impede them. Space forbidding individual mention, we make this general acknowledgment and this seems the proper time to call to your attention again and especially the work of Mr. Francis J. Heney, whose conduct of the case, because of its success, has met with condemnation, misrepresentation, and criticism. We contrast Mr. Heney's legal ethics with the legal ethics of the men by whom he was opposed.

The Commission, through Mr. Heney, had to meet deliberate falsification of returns properly required under legal authority; we had to meet schools for witnesses where employees were coached in anticipation of their being called to testify in an investigation ordered by you and by the Congress of the United States; we had to meet a situation created by the destruction of letters and documents vital to this investigation; we had to meet a conspiracy in the preparation of answers to the lawful inquiries of the Commission.

We will not trespass upon your time to go into details as to the legal and business ethics employed, but on the foregoing statement, which we are prepared to substantiate in every detail, we contrast the ethics of the Commission's legal and investigating staff with the legal staffs of the five great companies. And in leaving this part of the subject, we say as we have said repeatedly to you during the time of the investigation, that Mr. Heney's conduct of the case, as well as that of the other agents and attorneys of the Commission, was under the direct supervision of the Commission, the acts were performed with the knowledge and under the direction of the Commission, and the Commission assumes all responsibility for them.

Respectfully,

William B. Colver,
Chairman.
John Franklin Fort.
Victor Murdock.

SUMMARY OF REPORT.

This report, while dealing generally with the problem of the meat industry, is more particularly a study of the activities of the five principal meat-packing corporations (Armour & Co., Swift & Co., Morris & Co., Wilson & Co., Inc., and the Cudahy Packing Co.) in all fields, in so far as they bear on the production and distribution of food. This concentration of attention is adopted by the Commission because we are convinced that their power and influence over the production and distribution of food are dominant and because it is our judgment that until their activities are curbed and their control is eliminated, all measures looking to the improvement of the food situation will be relatively ineffective.

The pages which follow contain a summary of the evidence upon which our findings and recommendations are based. This summary shows:

First.—The magnitude of the large meat-packing companies, the extensive ramifications of their interests, and the instruments by which they have established and maintain control.

Second.—The nature of their combination, with details of the various agreements and combinations.

Third.—The practices of the combination and their social and economic effects.

Fourth.—The remedy proposed.

The detailed evidence, including hundreds of documents taken from the files of the packing companies, about 9,000 pages of sworn testimony, and many thousand pages of field reports of agents of the Commission has been carefully analyzed and digested, and will be laid before the President as rapidly as the various sections can be put in final form.

Before proceeding to the findings of the Commission it is desirable to consider briefly some of the difficulties encountered in the investigation, because of the light which will thus be thrown upon the facts and the conclusions to be presented. In the first place, the packers have important interests in fields where the Commission's inquisitorial powers are limited, but which are nevertheless of the greatest significance in connection with their activities in the food industry. Thus, for example, they are closely linked with a large number of banks, trust companies, and railroads, which connections are utilized, often unfairly if not illegally, for the promotion of the packers' interests in the food industry.

This would not be of vital consequence if the officials of the packing companies could be relied upon to furnish accurate and reliable information, or if their records were kept in such a way as to reveal the true state of their affairs. At the beginning of the investigation the Commission attempted to proceed on these assumptions, but it was soon demonstrated that the records of the companies, particularly as regards stockholders' lists and other evidences of ownership, were constructed to conceal rather than reveal facts; that important documents had been removed from their proper places in the files, and that the reports of some of the most important corporations and the statements of their officials could not be accepted. Thus, Armour & Co. in their report, attested by the vice president, Arthur Meeker, among other falsifications, omitted the company's interest in the Chicago Stock Yards, amounting to $1,552,000, although the treasurer of the company testified that the transfer of this property from J. Ogden Armour to the company had been made prior to the time the report was prepared. That the omission was willful and part of a general plan to conceal the interest in the stockyards is evidenced by the facts that admission of Armour's interest was made only when the Commission's examiner was on the point of discovering the truth, and that Arthur Meeker on June 6, 1916, stated before the Committee on the Judiciary of the House of Representatives that "the Armour people have no interest in the Chicago stockyards."

The Commission is also in possession of documentary evidence that a committee was formed by Swift & Co. to "coach" employees who might be called upon to testify or give information to the agents of this Commission and other Government bodies.

We know also that the five packing companies—Armour, Swift, Morris, Wilson, and Cudahy—conspired together in the preparation of their answers to the Commission's inquiries to the end that all should agree. As part of the evidence in our possession substantiating this statement, the following letter is submitted:

AUGUST 2, 1917.

Messrs. G. F. SWIFT, Jr., F. S. HAYWARD, R. C. McMANUS, A. D. WHITE, J. M. CHAPLIN, L. D. H. WELD:

Mr. Veeder informs me that he has, at different times, talked to Messrs. Thos. E. Wilson, M. W. Borders. C. J. Faulkner, James Sheehan (retained by Armour & Company for this investigation) and Thos. Creigh and has suggested to them that each firm prepare its own answer to the questionnaire received recently from Commissioner Davies and that when the answers have been completed we have a conference for the purpose of discussing objectionable things, if any, which might be contained in the individual reports.

All of the gentlemen to whom Mr. Veeder has talked have agreed to this policy and it is Mr. Veeder's idea that as soon as our people have formulated our reply we should have a meeting among ourselves to consider it and that we should at that meeting discuss the advisability of exchanging copies of letters with the others as against simply bringing our letters into a meeting to be discussed there without exchange of copies.

Told him that I thought that this was a point that ought to be given very careful consideration, and that we would not want to commit ourselves at this time to an exchange of letters with the others.

Told him that when our material was ready would arrange for meeting of all interested who were in town at that time.

Will Mr. White please advise me when the data is in shape to be considered in a conference of our own people?

WM. B. TRAYNOR,
Secretary to Committee.

LL

In addition to the general "combing" of the companies' files in anticipation of the investigation, attempts were made on certain occasions to abstract important documents from the files under the eyes of our agents. G. S. Shepard, vice president of Cudahy Packing Co., admitted that he had ordered his stenographer to make an incorrect copy of a letter which the Commission's agent had requested, and had himself destroyed the document. Finally it may be stated that the attorney for Morris & Co., M. W. Borders, when put on the witness stand under oath, after first demanding immunity on the ground that his testimony might tend to incriminate him, proceeded to make statements which were disproved by the documents, many signed by himself, with which he was later confronted.

Cases of this nature involving violations of the law have been placed in the hands of the Department of Justice for appropriate action.

It should be remembered also in considering the results of this investigation that these corporations are now operating under a Federal injunction issued in 1903; that they had been informed by the Attorney General in 1912, at the dissolution of the National Packing Co., that they would be the objects of close scrutiny and inspection; and that a committee of their confidential employees reported on April 10, 1916, that "as matters now stand criminal prosecutions are sure to follow."

These facts have been cited at the beginning of the report, not so much for the light which they throw upon the character of the corporations and individuals under investigation but because they demonstrate that this report, based as it is upon documentary evidence of the corporations, is an understatement rather than an overstatement of the situation.

SUMMARY OF FINDINGS.

Five corporations—Armour & Co., Swift & Co., Morris & Co., Wilson & Co., Inc., and the Cudahy Packing Co.—hereafter referred to as the "Big Five" or "The Packers," together with their subsidiaries and affiliated companies, not only have a monopolistic control over the American meat industry, but have secured control, similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff.

In addition to these immense properties in the United States, the Armour, Swift, Morris, and Wilson interests, either separately or jointly, own or control more than half of the export-meat production of the Argentine, Brazil, and Uruguay, and have large investments in other surplus meat-producing countries, including Australia. Under present shipping conditions the big American packers control more than half of the meat upon which the allies are dependent.

The monopolistic position of the Big Five is based not only upon the large proportion of the meat business which they handle, ranging from 61 to 86 per cent in the principal lines, but primarily upon their ownership, separately or jointly, of stockyards, car lines, cold-storage plants, branch houses, and the other essential facilities for the distribution of perishable foods.

The control of these five great corporations, furthermore, rests in the hands of a small group of individuals, namely, J. Ogden Armour, the Swift brothers, the Morris brothers, Thomas E. Wilson (acting under the veto of a small group of bankers), and the Cudahys.

A new and important aspect was added to the situation when the control of Sulzberger & Sons Co. (now known as Wilson & Co., Inc.) was secured, 1916, by a group of New York banks—Chase National Bank; Guaranty Trust Co.; Kuhn, Loeb & Co., William Salomon & Co.; and Hallgarten & Co. The report of the committee appointed by the House of Representatives to "Investigate the concentration of control of money and credit" (the Pujo committee) states (p. 59): "Morgan & Co. controls absolutely the Guaranty Trust Co." The Chase National Bank, a majority of its stock being owned by George F. Baker, is closely affiliated with the First National Bank. William Salomon & Co. and Hallgarten & Co. are closely affiliated with Kuhn, Loeb & Co. Thus we have three of the most powerful banking groups in the country, which the Pujo committee classed among the six "most active agents in forwarding and bringing about the concentration of control of money and credit" now participating in the rapidly maturing food monopoly above described. The entrance of the bankers into the packing business, it should also be noted, was not at all displeasing to the big packers. J. Ogden Armour and Louis F. Swift were frequently consulted during the negotiations, and Paul D. Cravath is quoted by Henry Veeder as giving assurance that the final arrangements would be "more than satisfactory" to Armour and Swift.

The menace of this concentrated control of the Nation's food is increased by the fact that these five corporations and their five hundred and odd subsidiary, controlled, and affiliated companies are bound together by joint ownership, agreements, understandings, communities of interest, and family relationships.

The combination among the Big Five is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

There are undoubtedly rivalries in certain lines among the five corporations. Their agreements do not cover every phase of their manifold activities, nor is each of the five corporations a party to all agreements and understandings which exist. Each of the companies is free to secure advantages and profits for itself so long as it does not disturb the basic compact. Elaborate steps have been taken to disguise their real relations by maintaining a show of intense competition at the most conspicuous points of contact.

The Armour, Swift, Morris, and Wilson interests have entered into a combination with certain foreign corporations by which export shipments of beef, mutton, and other meats from the priniepal South American meat-producing countries are apportioned among the several companies on the basis of agreed percentages. In conjunction with this conspiracy, meetings are held for the purpose of securing the maintenance of the agreement and making such readjustments as from time to time may be desirable. The agreements restrict South American shipments to European countries and to the United States.

Since the meat supplies of North and South America constitute practically the only sources from which the United States and her allies can satisfy their needs for their armies, navies, and civil populations, these two agreements constitute a conspiracy on the part of the Big Five, in conjunction with certain foreign corporations, to monopolize an essential of the food of the United States, England, France, and Italy.

The power of the Big Five in the United States has been and is being unfairly and illegally used to—

Manipulate live-stock markets;
Restrict interstate and international supplies of foods;
Control the prices of dressed meats and other foods;

Defraud both the producers of food and consumers;
Crush effective competition;
Secure special privileges from railroads, stockyard companies, and municipalities; and
Profiteer.

The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years, 1915–'16–'17, four of the five packers made net profits of $178,000,000.

EXTENT OF "BIG FIVE" OWNERSHIP AND CONTROL.

The meat industry.—The most satisfactory single index of the proportion of the meat industry controlled by the Big Five is the fact that they kill, in round figures, 70 per cent of the live stock slaughtered by all packers and butchers engaged in interstate commerce. In 1916 the Big Five's percentage of the interstate slaughter, including subsidiary and affiliated companies, was as follows:

Cattle	82.2
Calves	76.6
Hogs	61.2
Sheep and lambs	86.4

Illustrative of how completely effective competition has been eliminated from the meat industry is the fact that there is only one independent packer—Kingan & Co.—who slaughters as much as 1 per cent of the interstate total of cattle, and only nine independents who slaughter as much as 1 per cent of the interstate total of hogs.

The big packers, in presenting their case to the public, have given great emphasis to certain figures purporting to prove that the Big Five handle "not to exceed one-third of the total meat production of the United States." This result can be obtained only by juggling figures; for example, by omitting from the Big Five's total the animals slaughtered by their affiliated companies. Their statement is further deceptive, because under "total meat production of the United States" are included all the animals killed on the farm for home consumption. On this theory, monopoly could not be considered to exist in the meat industry, even if every pound of meat consumed in towns and cities were handled by a single company, so long as farmers continued to kill their own hogs and cows.

Control of the meat industry carries with it not only control of all kinds of fresh and preserved meats, but in addition a very great competitive advantage in more than a hundred products and byproducts arising in connection with their preparation and manufacture, ranging in importance from hides and oleomargarine to sand-paper and curled hair. In all these lines the Big Five's percentage of control, as compared with other slaughterers, is greater even than the percentage of animals killed, because of the fact that many of the small packers are not equipped or have been unable to utilize their by-products.

Foreign interests.—The investigation of the foreign interests of the American packers is not yet complete. The following list of those companies which thus far have been identified as subsidiary to or affiliated with the Big Five is indicative of the extent of their activities abroad:

- Armour:
    - Armour & Co. of Australasia (Australia and New Zealand).
    - Armour & Co. of Uruguay (Uruguay).
    - Companhia Armour do Brazil (Brazil).
    - Frigorifico Armour de la Plata (Argentina).
    - Dominion Tanneries (Ltd.) (Canada).
    - Armour Canadian Grain Co. (Canada).
    - Allen & Crom (Ltd.) (Great Britain).
    - Armour & Co. (Ltd.) (Great Britain).
    - Fowler Bros. (Ltd.) (Great Britain).
    - James Wright & Co. (Great Britain).
    - Times Cold Storage Co. (Great Britain).
    - Armour & Co. (Frankfort) (Germany).
    - Armour et Compagnie Société Anonyme (France).
    - Armour Societa Anonima Italiana (Italy).
    - Armour & Co. (Ltd.) (Denmark).
- Armour & Morris:
    - Sociedad Anónima La Blanca (Argentina).
- Cudahy:
    - Cudahy & Co. (Ltd.) (Australia).
    - The Cudahy Packing Co. (Ltd.) (Great Britain).
- Morris:
    - Morris Beef Co. (Ltd.) (Great Britain).
    - Haarers (Ltd.) (Great Britain).
- Swift:
    - Australian Meat Export Co. (Ltd.) (Australia).
    - Companhia Swift do Brazil (Brazil).
    - Compañía Swift de la Plata (Argentina).
    - Compañía Swift de Montevideo (Uruguay).
    - Compañía Paraguaya de Frigorifico (Paraguay).
    - Swift Canadian Co. (with its selling branches) (Canada).
    - Libby, McNeill & Libby of Canada (Canada).
    - Libby, McNeill & Libby of London (Great Britain).
    - Curry & Co. (Ltd.) (Great Britain).
    - Garner, Bennett & Co. (Ltd.) (Great Britain).
    - H. A. Lane & Co (Ltd.) (Great Britain).
    - H. L. Swift Stall (Great Britain).
    - Swift Packing Co. (Ltd.) (France).
    - Franklin Land & Investment Co. (Great Britain).
    - Swift Beef Co. (Ltd.) (Great Britain).

Wilson:
  Frigorifico Wilson de la Argentina (Argentina).
  Archer & Co. (Ltd.) (Great Britain).
  Nuttall Provision Co. (Ltd.) (Great Britain).

Their present and prospective positions in the Commonwealths of the Pacific are well described by the following extract from a communication from the American consul general, Auckland New Zealand, to the Secretary of State, dated April 26, 1918:

> I have the honor to advise that the Hon. W. D. S. MacDonald, minister of agriculture, industries and commerce of New Zealand, has asked me to secure for him and the use of the New Zealand Government all the information possible relative to the investigation made by the United States Federal Trade Commission into the American Meat Trust; and I should very greatly appreciate it if I might be furnished with at least two or three copies of this information for the honorable minister, who indicated that he would like at least that many.
>
> In this connection I wish to explain that the operations of the American Meat Trust are of very great interest to New Zealand stock raisers, since they are very greatly alarmed over their actions in this part of the world, fearing that they propose to get control of the meat business in this Dominion. Armour & Co. already have an office at Christchurch, and have employed one of the most expert stockmen in this Dominion.
>
> This question is being discussed extensively in and out of Government circles, and I believe it will be wise to make it clear that the American Government is in no wise connected with or fostering the methods used by what is known as the American Meat Trust.

Substitutes for meat.—The business of the packing companies originally was limited to the slaughter of live stock and the distribution of meat and animal products and by-products. Now, however, they are rapidly extending their control over all possible substitutes for meat—fish, poultry, eggs, milk, butter, cheese, and all kinds of vegetable oil products—and have secured strategic points of collection, preparation, and distribution of these products.

Swift & Co. is the greatest butter distributor in the United States, handling in 1916, in round figures 50,000,000 pounds, or nearly as much as the combined sales of the two largest nonpacker organizations.

Judged conservatively by trade estimates, the Big Five packers handle at least half of the interstate commerce in poultry and eggs and in cheese. The packers are also important factors in the preparation and distribution of condensed and evaporated milk, and are rapidly increasing their proportion. Wisconsin, the leading State in the production of butter and cheese, is covered by their creameries, condensaries, and buying stations, and a similar process of concentration and control is already evident in the other principal dairy States.

Vegetable-oil products are becoming increasingly important as substitutes for animal fats. The most abundant and widely used of the vegetable oils in the United States is cottonseed oil, of which 31.8 per cent was refined by the five big packers in 1916. The most important by-product of the cottonseed-oil industry is cottonseed cake, which is in great demand by live-stock producers.

Canned fruits, vegetables, etc.—Fruit and vegetable canning and preserving are remote from slaughtering and meat packing, but the big packers, through ownership of refrigerator-car lines and their branch-house system of distribution, possess special advantages for control of this field of industry. The Big Five's advantage in this field rests not so much on their ownership of canning factories, although in some branches their output amounts to more than a quarter of the total for the United States, as upon their rapidly growing control of the wholesale distribution of canned goods. Indicative of the size and rapid expansion of the packers' canned-goods business is the fact that Armour & Co. increased their canned-goods sales from about $6,500,000 in 1916 to about $16,000,000 in 1917, whereas the combined sales of these products by Austin Nichols Co. and Sprague, Warner & Co., two of the largest independent wholesalers, amounted to only a little more than $6,000,000 in 1917.

Staple groceries and vegetables.—Recently the big packers began dealing in various staple groceries and vegetables, such as rice, sugar, potatoes, beans, and coffee, and increased their sales at such a great rate that in certain of these lines they have become dominant factors. Here again the immense selling organization of the packers, built up in connection with their meat business, assures them almost certain supremacy in any line of food handling which they may wish to enter.

Armour's drive into the rice market in a single year is perhaps the most striking instance of the potentialities in this direction. Early in 1917 Armour & Co. first undertook the handling of rice, and in that one year sold more than 16,000,000 pounds of rice, thus becoming at a single move, on the statement of the vice president of the company, "the greatest rice merchant of the world." During this period the wholesale price of rice increased 65 per cent.

Grain.—Armour is the only one of the big packers who appears to be interested in the grain trade, although James A. Patten, a large stockholder of Swift & Co., is also one of the important factors in the cereal markets.

The Armour Grain Co. is a close corporation, in which J. Ogden Armour owns 64 per cent of the stock and other members of the family 22.9 per cent. Directly or through its subsidiary or trade-name companies the Armour Grain Co. operates over 90 country elevators. Its 8 terminal elevators at Chicago and its 2 elevators at Kansas City constitute 25 per cent of the total elevator capacity of these cities. In 1917 it handled 75,000,000 bushels, or 23 per cent of all receipts of grain at Chicago, the greatest market in the world, and its business is rapidly growing. Nearly all of this was directly merchandised and only a small fraction sold on commission.

In the manufacture of breakfast foods and stock and chicken feeds the Armour Grain Co. is expanding, especially in the line of producing retail brands. Within three years it has undertaken the manufacture of Armour's Oats, has taken over the Buffalo Cereal Co., with its many brands of cereal foods and animal feeds, and within the present year has taken over the Mapl-Flake Co., of Battle Creek, Mich.

In connection with its line of country elevators the Armour Grain Co. merchandises fertilizer, feed, coal, fence posts, wire fencing, builders' hardware, binding twine, lumber, millwork, cement, lime and plaster, brick, sand, gravel, and roofing.

Fertilizers.—The fertilizer industry lies at the base of American food production. The packers, controlling the disposal of more than two-thirds of the offal produced in the packing industry, have become the most important factors in the manufacture of animal fertilizer ingredients and have strongly entered the field of production of mineral ingredients. In mixed fertilizers they produce 19 per cent of the total.

Hides, leather, and wool.—In addition to the far-reaching ownership and control in the various branches of the food industry outlined above, the Big Five also occupy an important position with reference to the clothing of our civil and military population through potential control of the hide and leather markets of the United States and of a considerable proportion of the total wool production.

There is no question of their dominant position with reference to hides and leather. The Big Five not only handle more than three-fourths of the hides and skins produced by interstate slaughterers, but directly, through their subsidiaries or through leases and contracts, tan a large part of the leather produced in the United States. The big packers occupy an even more important and profitable position in the hide and leather industry than these statements indicate, because of the fact that their hides receive a higher grading than those of independent packers and butchers, whose hides are arbitrarily classed as "country hides," and that they control a large share of hide imports.

Finally, the packers' storage facilities and strong financial position make it possible for them to manipulate the markets and dispose of their product without regard to supply and demand. It is admitted in correspondence of the big packers that during the past year, when leather was in enormous demand, certain of the Big Five hoarded hides in such immense quantities for the purpose of inflating the already unreasonable prices that (to quote their own correspondence): "We are forced to pack them in our cellars and outside in the open, but have reached the point now where we have no place to go with any more."

INSTRUMENTS OF CONTROL AND MONOPOLY.

The actual and potential powers of these corporate groups and individuals are far greater and much more menacing to the welfare and true prosperity of the Nation than this enumeration of industrial possessions would indicate. This greater menace lies in the fact that the Big Five have intrenched themselves in what may be called the strategic positions of control of food distribution. These strategic positions, which serve not only to protect the controls which the big packers have already acquired, but to insure their easy conquest of new fields, are:

> *Stockyards*, with their collateral institutions, such as terminal roads, cattle-loan banks, and market papers.
>
> *Private refrigerator-car lines* for the transportation of all kinds of perishable foods.
>
> *Cold-storage plants* for the preservation of perishable foods.
>
> *Branch-house system of wholesale distribution.*
>
> *Banks and real estate.*

The Big Five do not control banks in the same sense that they do stockyards and car lines, but they possess overwhelming advantages over competitors.

Stockyards.—The stockyards are the depot markets through which practically all animals which move in interstate commerce pass. Ownership, partial or complete, of these markets is not only a source of great profit, but affords a fundamental business advantage.

How completely the Big Five control these markets will appear from the following list:

Location of yards.	Percentage of stock controlled by Big Five.	Number of big packers interested.
Brighton, Mass	95.0	1
Chicago, Ill	(1)	(?) (1)
Connellsville, Pa	100.0	4
Dallas, Tex	100.0	1
Denver, Colo	100.0	1
East St. Louis, Ill	83.5	2
St. Louis, Mo	(2)	....
El Paso, Tex	79.0	1
Fort Worth, Tex	69.3	2
Jacksonville, Fla	99.2	1
Jersey City, N. J.:		
Jersey City Stock Yards	(3) 91.4	2
Central Union Stock Yards	99.2	1
Kansas City, Kans	67.3	5
Laramie, Wyo	90.0	1
Louisville, Ky	25.7	2
Milwaukee, Wis	97.5	1
Nebraska City, Nebr	100.0	1
Newark, N. J	99.0	1
New Orleans, La	86.1	1
New York, N. Y	97.4	1
Oklahoma City, Okla	84.7	2
Omaha, Nebr	(3) 61.2	2
Pittsburgh, Pa	97.0	1
Portland, Oreg	92.1	2
Sioux City, Iowa	75.1	3
St. Paul, Minn	63.5	2
St. Joseph, Mo	84.2	2
South San Francisco, Cal	91.0	5
West Philadelphia, Pa	(3) 22.9	1
Wichita, Kans	59.6	1
Yankton, S. Dak	(4)	....

[1] The Commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift and probably Morris were parties to the negotiations by which Armour acquired his interests, but it has not yet been possible to locate Swift and Morris stock, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for the stock.

[2] 96 per cent owned by East St. Louis yards.

[3] Including Allerton family interests.

[4] 82 per cent owned by Sioux City yards.

The cattle-loan bank is the institution through which loans are effected for the purchase of cattle for breeding and fattening. How jealously this monopoly of making loans at the yards is guarded appears from the example at East St. Louis, where the packers would not permit the establishment of a rival bank within half a mile.

Direct control by ownership of market papers and other trade periodicals was definitely established by the Commission in the case of six papers, and there are a number of others controlled by various indirect but effective methods. Control of market papers is important, both for their actual and potential influence over shipments and prices by the character of statements published and put on the wires, as well as for protection against criticism. How important this may be is shown by a letter written by the editor of a Texas paper to Henry Veeder, referring to the marked change in the policy of his papers, as he expressed it, "before and after taking" two loans of $5,000 each from Armour and Swift. This and other correspondence from the packers' files indicates that direct ownership is not necessary for control of these publications.

One of the trade journals frequently quoted as a source of authoritative information regarding the meat industry is the National Provisioner. An editor of this journal for years received a joint annual subsidy of $5,000 from Armour, Swift, and Morris.

The big packers' control at these markets is much greater than these statistics indicate. In the first place they are the largest and in some cases practically the only buyers at these various markets, and as such hold a whip hand over the commission men who act as the intermediaries in the sale of live stock.

The packers' power is increased by the fact that they control all the facilities through which live stock is sold to themselves. Control of stockyards comprehends control of live-stock exchange buildings where commission men have their offices; control of assignment of pens to commission firms; control of banks and cattle-loan companies; control of terminal and switching facilities; control of yardage services and charges; control of weighing facilities; control of the disposition of dead animals and other profitable yard monopolies; and in most cases control of all packing-house and other business sites. Packer-owned stockyards give these interests access to records containing confidential shipping information which is used to the disadvantage of shippers who have attempted to forward their live stock to a second market.

Private car lines and transportation privileges.—The Big Five own 93 per cent of the total of all kinds of cars owned by interstate slaughterers, including refrigerator, stock, tank, box, flat, and gondola cars. The most important of these from the standpoint of monopolization are the refrigerator cars.

The Big Five own 91 per cent of all refrigerator cars properly equipped for the shipment of fresh meat that are operated upon the railroads of the United States. The railroads have almost no equipment suitable for shipping dressed meat, and, consequently, unless an independent packing company is large enough to afford to make a heavy outlay for refrigerator cars, it is practically impossible for it to attempt to ship fresh meat out of the locality in which it is produced. The smaller independents, therefore, confine themselves either to pork packing or to cattle slaughter for local consumption.

Icing stations advantageously located on the lines of the trunk railroads between St. Louis, Chicago, and the Atlantic seaboard are owned and operated by three of the five packers. At these stations the packer cars are iced as well as all cars carrying perishable products, including the shipments of competitors. Besides serving as a particular advantage to the owners in that their own ice service is secured at cost, these stations put them in a position to secure valuable information concerning the shipments and customers of competitors.

From a competitive standpoint, however, a great advantage which the big packers have enjoyed has been the preferential treatment accorded their cars. The big packers' cars have been carefully handled, promptly returned, and used only for the shipment of the packers' own commodities. The small packers, on the other hand, have been subject to extreme delays in securing the return of their cars. Six months for a trip from St. Louis to New York and return was not at all uncommon, and there are a number of cases where nine months elapsed before the car came back to its owner. The railroads have also been accustomed to take liberties with the independents' cars, as, for example, permitting their beef cars to be used for the shipment of onions.

The freight tonnage controlled by the big packers has for years given them a great leverage in all their dealings with the railroads. Until the Interstate Commerce Commission interfered this power was used to obtain money rebates, and in recent years to secure special privileges and concessions. The big packers sometimes acted in combination, throwing their joint power against the railroad or group of railroads from which special privileges were demanded.

It is interesting to note in this connection that the packers have organized various companies to sell railroad equipment and supplies, such as bumping posts, metal bearings, waste, ice, and coal. These companies have been profitable.

Cold storage.—Profits and actual market control in the handling of perishable foods are alike dependent upon ability to buy during seasons of surplus production and low prices and to store at reasonable costs until there is a relative scarcity. The packers have such storage facilities. They have gone far beyond the requirements of their own output and have established huge plants in which they store outputs bought from other producers.

Branch houses and car routes.—The packers' distribution of their products is effected through a system of branch houses located in the large towns and cities, and a system of refrigerator "peddler car" routes which reach the smaller communities. Swift & Co. reach a larger number of cities and towns by peddler car than all other packers, while Armour & Co. have developed a system of delivering from their branch houses by trucks, reaching by this means over 20,000 towns, and making their total number of towns greater than Swift & Co. The number of such branch houses and car routes controlled by the Big Five is as follows.

	Number of branch houses.	Car routes.	
		Number of routes.	Number of towns reached.
Armour interests	366	197	[1] 24,691
Swift interests	343	484	23,378
Morris interests	154	229	4,019
Wilson & Co., Inc.	117	187	1,908
Cudahy Packing Co	113	200	4,198
Total	1,093	1,297	(2)

[1] Including towns reached by Armour's truck sales.
[2] Total would include a great number of duplications.

This system of wholesale distribution through branch houses and peddler cars is the bulwark of monopoly. There is virtually no limit to the possible expansion of their wholesale merchandising short of the complete monopolization of the primary distribution of the Nation's food.

With the development of their branch house and car-route systems it is unnecessary for the packers to go through the slow process of building up manufacturing plants. Their initial move is to contract for the output of factories. After the manufacturers have been under exclusive contract for a few years they become virtually "tied" to the packers, and unable to break away and develop new outlets for production.

Already even the oldest and most strongly established wholesale houses are seeing line after line of their merchandise absorbed by the packers' branch-house system. First, they saw the packers encroach on the handling of butter, eggs, and cheese, then canned goods, then various kinds of "package goods," and now rice, sugar, coffee, and other staples are being increasingly handled by the packers. Last year the Big Five's combined sales totaled $2,127,245,000. At the present rate of expansion, within a few years the big packers would control the wholesale distribution of the Nation's food supply.

Financial and real estate interests.—Lastly, as an element of control, are the big packers' widely distributed interests in banks and real estate, which the Commission has not as yet completely explored.

In the financial field the packers' strength is based not so much on actual ownership as upon the influence which they can exert by reason of their volume of business and commanding industrial position.

They are further entrenched in financial institutions throughout the United States, as is evidenced by the following list, which relates only to the principal cities and packing centers. In each of the banks shown in this list the packers are represented on the board of directors through members of the individual families, or through officers, directors, or confidential employees of the packing companies.

In addition, there are a number of banks not covered by this list, in which close business associates of the packers are directors.

Boston:
- Commercial National Bank (Wilson).
- Broadway National Bank of Chelsea (Swift).
- Harvard Trust Co. (Swift).

New York City:
- William Salomon & Co. (Wilson).
- National City Bank (Armour).
- Chase National Bank (Wilson).
- International Banking Corporation (Armour).
- Irving National Bank (Swift, Armour).
- Guaranty Trust Co. (Wilson).
- Irving Trust Co. (Armour).
- New York County National Bank (Swift).
- Hallgarten & Co. (Wilson).

Chicago:
- Continental Commercial National Bank (Armour, Cudahy).
- Hibernian Banking Association (Armour).
- Fort Dearborn Trust & Savings Bank (Swift).
- Illinois Trust & Savings Bank (Swift).
- First National Bank (Morris, Wilson).
- First Trust & Savings Bank (Wilson).
- People's Trust & Savings Bank (Armour).
- National Bank of the Republic (Swift, Cudahy).
- Continental & Commercial Trust & Savings Bank (Armour).
- Drovers' Trust & Savings Bank (Swift).
- Liberty Trust & Savings Bank (Morris).
- Woodlawn Trust & Savings Bank (Swift).
- Westside Trust & Savings Bank (Morris).
- Mid City Trust & Savings Bank (Morris).
- Union Trust Co. (Armour).
- Stoney Island Trust & Savings Bank (Armour).
- Kenwood Trust & Savings Bank (Swift).
- Depositors' State & Savings Bank (Wilson).
- South Side State Bank (Armour, Swift).
- Central Manufacturing District Bank (Armour).
- Drovers' Trust & Savings Bank (Swift).
- People's Stockyards Bank (Morris, Armour).
- Stockmen's Trust & Savings Bank (Armour, Wilson).
- Livestock Exchange National Bank (Armour, Swift, Wilson).
- Stockyards Savings Bank (Armour, Swift, Morris).

East St. Louis, Ill.:
- National Stockyards National Bank (Morris, Swift, Wilson).

South St. Paul, Minn.:
- Stockyards Mortgage & Trust Co. (Swift).
- Stockyards National Bank (Swift, Armour).

Sioux City, Iowa:
- Livestock National Bank (Swift).

Omaha, Nebr.:
- Livestock National Bank (Swift, Morris).
- Stockyards National Bank (Armour, Cudahy).
- Omaha National Bank (Cudahy).

Such concentration of ownership and control of these five companies in a small number of individuals made combination and conspiracy easy.

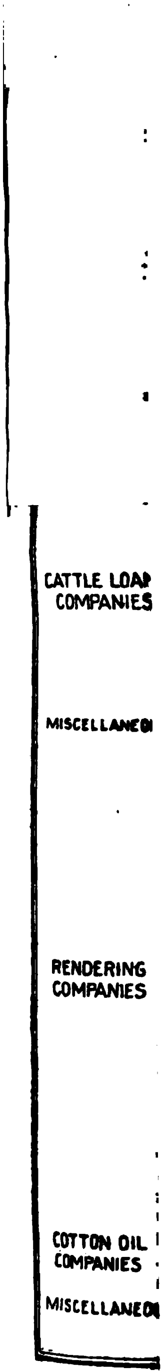
Furthermore, the Big Five are bound together by joint ownershi of a large number of companies. In many cases these joint owne ships are not carried in the names of the principals, but, on the co trary, are concealed by all manner of devices. Thus, for exampl Armour's and Morris's stock in the Union Meat Co. stands in t names of H. A. Chetham and H. J. Nelson, Swift employees, so th even the most careful scrutiny of the stockholders' list would lea the impression that the Union Meat Co. was merely affiliated wi Swift & Co.

The accompanying diagram presents graphically the joint interes of the five big packers. The 108 companies represented in this cha include only those in which two or more packers own stock or ha representation upon the board of directors, with the exception the National Provisioner, which is included because of the joi subsidy of $5,000 annually from Armour & Co., Swift & Co., a Morris & Co.

HISTORY OF THE CONSPIRACY.

The first public record of an inquiry into the relations of the corporations is the report made in 1890 by a committee of the Unit States Senate. After two years of investigation, this committee unanimously reported that there was an agreement between the then leading packers, namely, Armour & Co., Swift & Co., Nelson Morris & Co., Hammond & Co., to refrain from competition. The committee found, among other things, that there was collusion with regard to the fixing of prices and the division of territory and business. The conditions revealed by this investigation, it may be remarked, were in part responsible for the passage of the Sherman Antitrust Act on July 2, 1890.

This investigation and the passage of the Sherman Act, however, did not long prevent the big packers from combining, for it was admitted by Henry Veeder, under oath, in 1912, that from May, 1893, until May, 1896, representatives of the leading packing companies, Armour & Co., Armour Packing Co., Cudahy Packing Co., G. H. Hammond Packing Co., East St. Louis Dressed Beef & Provision Co., Morris & Co., and Swift & Co., met regularly every Tuesday afternoon in a suite of rooms leased in the name of Henry Veeder, who acted as secretary and statistician of these meetings. It is interesting, in view of certain important evidence developed in the present investigation, to note that the rent for these rooms and


CATTLE LOA
COMPANIES
MISCELLANEO
RENDERING
COMPANIES
COTTON OIL
COMPANIES
MISCELLANEO

other expenses connected with these meetings were apportioned among the packers in proportion to their shipments of dressed beef. At these meetings the territory was divided and the volume of business to be done by each packer was apportioned upon the basis of statistics compiled by Veeder, penalties being levied when any one of them exceeded his allotment in any territory. This was the first of the so-called "Veeder pools," conducted, it should be noted, by the same Henry Veeder whom we find acting now as the joint agent of the "Big Five" in various transactions.

From May, 1896, to January, 1897, no regular meetings were apparently held by the packers; but during the year 1897 Henry Veeder conducted what was known as a statistical bureau, which performed a part of the functions of the original Veeder pool.

In January, 1898, however, a new pool was established under the management of Veeder, differing from the original pool only in that Schwarzschild & Sulzberger took the place of the East St. Louis Dressed Beef & Provision Co., which had been absorbed by Morris & Co.; the penalties for overshipment were increased, and auditors were employed to verify the statements of the packers. This pool terminated early in 1902, probably as a result of the investigation then being made by the Department of Justice.

In May, 1902, the Department of Justice filed sweeping charges of conspiracy and restraint of trade against the big packers and asked for an injunction. The charges were not specifically controverted, and after some delay and slight modifications a permanent injunction was issued by the Supreme Court of the United States on May 26, 1903.[1]

This injunction apparently terminated the pool, which exposure had made hazardous. But how little the big packers respected the courts of the Nation and feared its law is revealed by the fact, which has since come to light, that almost coincident with the application for an injunction the three largest—Armour, Swift, and Morris—secretly set to work to buy up many of their actual and potential competitors, with the object of forming a gigantic merger, monopolizing almost completely the entire meat industry. Cudahy and Schwarzschild & Sulzberger became in a minor degree parties to the merger plan, which progressed so far that more than a dozen corporations, valued at about $10,000,000, had been purchased, a million-dollar bond to insure good faith had been deposited by Armour, Swift, and Morris, and arrangements had been made through Kuhn, Loeb & Co. for a loan of $60,000,000 to finance the merger. All was going well until the head of Kuhn, Loeb & Co., foreseeing the approach of the "panic of 1903" refused to put through the financial arrangements and advised against the merger at the time.

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[1] The principal restraints imposed specifically by the injunction were "from entering into, taking part in, or performing any contract, combination, or conspiracy, the purpose or effect of which will be, as to trade and commerce in fresh meats between the several States and Territories and the District of Columbia, a restraint of trade, in violation of the provisions of the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," either—

By directing or requiring their respective agents to refrain from bidding against each other in the purchase of live stock;

Or collusively and by agreement to refrain from bidding against each other at the sales of live stock;

Or by combination, conspiracy, or contract raising or lowering prices;

Or fixing uniform prices at which the said meats will be sold, either directly or through their respective agents;

Or by curtailing the quantity of such meats shipped to such markets and agents;

Or by establishing and maintaining rules for the giving of credit to dealers in such meats as charged in the bill, the effect of which rules will be to restrict competition;

Or by imposing uniform charges for cartage and delivery of such meats to dealers and consumers, as charged in the bill, the effect of which will be to restrict competition.

The big packers thereupon decided to merge the properties which they had secretly acquired, and thus it was that the National Packing Co. came to be formed. Cudahy and Sulzberger were invited to purchase stock in the company,[1] but declined to assume these additional obligations, probably for financial reasons. The entire stock of the National Packing Co. was therefore held by Armour, Swift, and Morris in proportion to the capital assets of the respective companies; that is to say, Armour & Co., 40.11; Swift & Co., 46.70; Morris & Co., 13.19; and properties acquired by the National Packing Co. after its formation in 1903 were jointly paid for by the Armour, Swift, and Morris companies in the same proportion.

The board of directors of the National Packing Co. was made up entirely of representatives of the three big companies. When these directors met each Tuesday afternoon at 2 o'clock (the same day and hour as the old Veeder pool meetings) to decide on policies, prices, and buying and shipping plans they were, in fact, acting for all their joint interests, and no further communication was necessary. This simple and highly effective plan for interchanging information and fixing joint policies persisted undisturbed until, after the failure of the criminal suit against several of the big packers in 1911–12, the threat of a civil suit brought about the dissolution of the National Packing Co. during July and August, 1912. The dissolution consisted in a distribution of the properties of the National Packing Co. among Armour & Co., Swift & Co., and Morris & Co., and left all the strong independents which had been absorbed into the National Packing Co. still in the hands of the packers.

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[1] Reports of Special Agent Dickinson, Bureau of Corporations, May 11 and 19, 1904.

THE AMERICAN LIVE-STOCK POOL.

Although Sulzberger and Cudahy were not directly interested in the National Packing Co. and did not attend the weekly directors' meetings, they were, nevertheless, participants in the general conspiracy for controlling the meat industry, which had been formed in 1902, after the Veeder pools came under the ban of the temporary injunction. This general conspiracy consisted of a "live-stock pool," which evidence in our possession proves to be in existence.

Under the Veeder pools control of the meat trade was effected by agreements regulating the shipments of dressed meats into the various competitive districts, with a system of fines for overshipments and bonuses for undershipments. This scheme was so thoroughly exposed during the proceedings which led to the injunction of 1903 that it was abandoned. Besides it was a clumsy plan, which required a large statistical bureau and regular weekly meetings to determine the amount of the shipments for the coming week into each district and fix the margins. A much simpler and equally effective plan was then evolved in the form of a live-stock pool, providing substantially for the division of purchases of the cattle, sheep, and hogs sent to market according to certain fixed percentages, which could be agreed upon for long periods and needed to be changed only when conditions were greatly altered, as, for example, when one of the big packers purchased an independent plant.

This division of live-stock purchases is not only an automatic regulator of the relative volume of business of each of the Big Five, but also secures substantial uniformity of prices paid for live stock and, consequently, of the prices at which dressed meats are sold. In brief, the prearranged division of live-stock purchases forms the essential basis of a system by which the big packers are relieved of all fear of each other's competition and, acting together, are able to determine not only what the live-stock producers shall receive for their cattle and hogs, but what the consumer shall pay for his meat.

In order that the working of this system shall be clearly understood, it is well to start with the simplest situation—that of a stockyard in which only two of the big packers are represented and where the division is commonly "fifty-fifty." In such a market the independent packers, local butchers, and speculators will purchase not to exceed 5 per cent of the live stock, far too few to influence the market strongly, much less fix the price. The other 95 per cent of the live stock, it is agreed, is to be divided evenly between the two big packers. This is the situation at Fort Worth and Denver.

Even if there should be no further collusion or communication between the two big packers, it must be obvious that there will be no truly competitive purchases. Each buyer may come into the market with a different idea of what the different grades of cattle are worth. but only a few sales will be made before each will know what the other is offering, and they will come to a common price. In a freely competitive market the common price would tend to reflect the true market value, because the low bidder would be required to meet this price or be left without a supply to keep his packing house running. But in a market where there is an agreed division, the natural law of the market is turned topsy-turvy, and the common price inevitably becomes that offered by the low bidder. Thus, even without any collusion beyond the agreement to divide purchases, the market price which the producer receives for his live stock is bound in the long run to be *the lowest price which will keep the producers raising cattle, hogs, and sheep and sending them to the stockyard.*

But the Big Five are not content to trust simply the inevitable tendencies of such a market. They must be sure of their control from the minute the market opens until it closes. Their buyers are all instructed in advance from Chicago just what they must buy on the basis of the estimated receipts; the buyers for the big packers are held back until one, two, or even three hours after the market opens, and then all go out into the yards together. By telephone and telegraph the buyers keep in constant touch with Chicago throughout the day, so that if the receipts run heavier or lighter than had been estimated, or if any other contingency arises, proper adjustments can be made, which will be in line with other markets and with the activities of other packers.

Throughout the entire market day each big packer knows exactly what the others are doing in all the markets, and at the end of the day, the end of the week, the end of the month, and the end of the year, the purchases of all are checked up, so that if any of the five has bought more or less than his share, or has bought "out of line," the others may administer the proper measure of correction. If, for example, a packer buys less than his share over any considerable period, he is liable to have his percentage reduced, while if, on the other hand, any packer tries to "hog the market," he is liable to have the others retaliate by "putting the market up on him."

Furthermore, the big packers are not ordinarily content simply with a general approximation to the agreed division, but insist on dividing even the small bunches of animals. Here, for example, is a letter written by Louis F. Swift to Alden B. Swift, at a time when he was apprehensive that the cattlemen might become dissatisfied with the conditions at St. Joseph, where the Swifts control the local stockyards:

SEPT. 12, 1914.

Mr. ALDEN B. SWIFT,
Swift & Co., South St. Joseph, Mo.

DEAR SIR: Will be glad to have you advise me if you think our cattle buyer at St. Joseph is all right and is doing as well as Mr. Stemm did.

Also if you notice any difference in Morris' cattle buying.

Awaiting your reply.

Yours respectfully,

LOUIS F. SWIFT.

P. S.—*Has our new plan of not insisting on dividing all the small bunches of cattle given any snap to the market?* [Italics by Commission.]

L. F. S.

The agreement among the Big Five for the division of live-stock purchases provides not only for the division at each market on which two or more of the Big Five are represented, but also for the division of all the live stock which they purchase for the country as a whole. Thus, so far as the big packers are concerned, each knows in advance that his packing house is assured of relatively the same volume of business as the others and that he will be able to buy his live stock at the lowest price that will keep the producers in the business and induce them to ship their animals to market.

This alone would be sufficient to insure that the dressed-meat prices of all the big packers would be approximately the same. But here again the packers are not content simply with long-run results. Not only is there constant interchange of information regarding "margins" and "test costs" at headquarters in Chicago, but in the different selling districts, the district managers inspect one another's stocks and exchange information regarding margins, even if they do not in all districts have such regular meetings as our agents have discovered them participating in at Los Angeles and Tacoma.

There is apparently no "dressed-meat pool" at the present time such as existed in the nineties, for the reason that it would be as useless as a fifth wheel on a wagon. All that the old Veeder pools accomplished, and more, is secured by the live-stock pool and by constant interchange of information at Chicago and at the points of distribution.

PROOF OF THE CONSPIRACY.

So far we have been merely describing the character and methods of the conspiracy among the Big Five. We now offer some of the illuminating proofs, leaving the examination of the voluminous details regarding the workings of the conspiracy for the full report.

The first evidence which came into our possession indicating the existence of a live-stock pool was in the form of a tattered memorandum discovered by one of the Commission's agents in the files of Edward F. Swift. This memorandum, which bore signs of frequent consultation, contained only certain percentages, totaling 100, opposite which was scribbled "% live buyers." This document might not have attracted so much attention if in the same files had not been discovered a set of sheets showing the number and percentages of live stock purchased by each of the Big Five at the principal markets and in the entire country. The first glance at these sheets revealed such a remarkable uniformity from year to year in the percentages purchased by each of the big packers as to convince any disinterested person that such results could be attained only by agreement. Here, for example, are the percentages of cattle purchased by each of the Big Five during the last five years:

Per cent of total cattle purchases.

	Swift.	Armour.	Morris.	Wilson (Sulzberger).	Cudahy.
1913	33.90	27.18	17.80	11.74	9.38
1914	34.01	27.16	17.97	11.56	9.30
1915	34.47	27.57	18.14	10.15	9.67
1916	34.59	27.04	17.86	10.94	9.57
1917	35.07	26.96	17.14	10.85	9.98

The percentages for hogs, sheep, and calves displayed the same uniformity, and, even more significant, the figures for the separate markets also were consistently maintained.

Not long after this discovery another agent of the Commission, in an examination of documents in the possession of Henry Veeder, counsel for Swift & Co., found a number of sheets containing various percentage figures, opposite a number of which appeared letters which were the initials of the different packing companies. But of particular importance was a series of percentage figures, accompanied by the symbols which Veeder had testified in 1912 represented the various participants in the Veeder pools. These had been bracketed and combined in such a way that the percentages for the companies which have now been consolidated with Armour, Swift, and Morris, following the dissolution of the National Packing Co., were brought together into a second series of percentages which correspond exactly with figures on the Swift memorandum. These figures seemed significant when, immediately after their discovery, Henry Veeder refused further access to the papers in his possession.

When these percentages and records of live-stock purchases were found, certain representatives of the packing companies hastened to explain that there was no significance whatever in the uniformity of purchases from year to year, either for the country as a whole or for the separate live-stock markets; that these percentages were determined by the capacities of the several plants; and that if there was a correspondence between the percentages of purchases and the memoranda which had been found, it was merely an interesting coincidence.

About this time, however, other agents investigating Armour & Co. and Wilson & Co., Inc., brought in several letters which demolished the "capacity theory." First was a letter of October 19, 1916, from Phillip D. Armour to J. Ogden Armour which shows that although Armour's plant at Denver had a much smaller capacity than Swift's, the division of live stock was nevertheless "fifty-fifty."

MY DEAR UNCLE OGDEN: Just a line to tell you that Tom and I arrived here from Fort Worth and had a very pleasant trip.

I can not tell you how surprised I was in going over the plant here. Of all the plants we have, this one certainly needs our first attention. In my opinion, the best part of it is as bad as the worst part of any of our other plants. *Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours both as to the size and condition. Of course, as you know, everything here is done on a 50–50 basis, and with the facilities we have it is almost impossible to keep this ratio.* [Italics by Commission.] * * *

Hope you are well and that everything is going all right. Tom joins me in kindest regards.

Very sincerely yours,

P. D. A.

There are also letters between Arthur Meeker, vice president of Armour & Co., and Thomas E. Wilson, president of Wilson & Co., Inc., which prove that even so strong a company as Wilson is not permitted to buy on any market it pleases, but must conform to the agreement, which was made "on the basis of the map when peace was declared":

CHICAGO, *March 24, 1917.*

Mr. T. E. WILSON,
President Wilson & Co., Union Stock Yards.

DEAR MR. WILSON: Our hog department say that any hogs that your people bought in 1912 or 1915 in Omaha, they bought under cover. They never maintained a salaried buyer there. What few they bought they bought thro a speculator named "Red" Murphy, who used all kinds of schemes in shipping them out to have their destination unknown; shipping them to a junction point, and then they would be reconsigned under fictitious names.

As soon as the matter was taken up with the S. & S. Co. they discontinued it. So I fail to see how you can honestly claim any rights to-day for any underhand work that your firm did in 1912.

Yours very truly,

ARTHUR MEEKER.

MARCH 26, 1917.

Mr. ARTHUR MEEKER,
Armour & Co., U. S. Yards, Chicago, Ill.

DEAR MR. MEEKER: Aswering your note of March 24th, you are misinformed on the matter referred to. Our people did maintain a salaried buyer in Omaha as I have previously advised you. In fact Mr. Harry Booth who is now our head buyer in Chicago, was himself stationed there for periods of several weeks, and if, as you state, Mr. Red Murphy undertook to cover up the purchases that he made for this company and destination, he did it for reasons of his own, and I think you probably know that all of the hogs that he buys are first weighed to him, sorted and reweighed. This is his practice to-day and no doubt was in former years, when this concern did business with him.

Yours very truly,

——— ———.

In the public hearings, when these letters were read, Mr. Francis J. Heney, special attorney for the Federal Trade Commission, said:

> Those letters, Mr. Commissioner, can not mean anything except that the complaint was made that Wilson & Co. did not have any right to buy any hogs in that market. They must get their percentages elsewhere, and they did not have any right, because the map was not fixed that way when the peace was declared and the combination made.

As proof of the existence of these local agreements we quote also the following excerpts from the testimony of Mr. M. R. Murphy, general superintendent of the Cudahy Packing Co., given unwillingly and only after he had been confronted with the letters from E. A. Cudahy, which appear in the record:

Question by Mr. HENEY. I want to read you, in connection with that testimony, the copy of letters here taken from the files of the Cudahy Company The first one is dated June 21, 1911:

"Mr. M. R. MURPHY,
"*South Omaha, Nebr.*

"DEAR SIR: Referring to the attached papers—Mr. McNaughton advised me that he learned from one of Morris & Co.'s men that there was considerable talk about the Kansas City Stockyard that we sold out to the rendering company. Of course we can't stop the rumors, but all we have to do is just to keep quiet and let them do the talking. I think we are justified in quitting business on account of the position that the commission men have taken.

"When I was coming to Chicago on Monday night, Mr. R. C. Howe was on the train, and he called to see me at this office, and from what he said I don't see anything for us to do only to secure our 30% of the hogs at South Omaha, unless we want to take 29% and let Swift run 26%.

"I expect our Omaha and Sioux City market will be out of line for some time if we are going to maintain our position. I don't see anything else for us to do. The Omaha market seems to be the only point in question, and I think we ought to figure on keeping the Sioux City market on an independent basis.

"I will be in Omaha Friday morning.

"Yours truly,

"E. A. CUDAHY."

And then down at the bottom are lead-pencil figures[1]

"30
30
25 Swifts
15

100%"

Did you receive the original of that letter?

Answer by Mr. **Michael R. Murphy**. I evidently did; but I have no recollection of it now.

Mr. **Heney**. Well, at that time the percentage that you were aiming to buy per year was 30 per cent, wasn't it?

Mr. **Murphy**. Evidently Mr. Cudahy had that in mind.

Mr. **Heney**. Well, you say you buy on directions from Chicago. You had it in mind then too, didn't you?

Mr. **Murphy**. Well, on his advices; but he never notified me to buy a percentage, or anything like that. He would say, "Take your requirements, or whatever you need."

Mr. **Heney**. Well, let's see—let's reread a portion of this (reading):

"When I was coming to Chicago on Monday night, Mr. R. C. Howe was on the train, and he called to see me at this office, and from what he said I don't see anything for us to do only to secure our 30% of the hogs at South Omaha, unless we want to take 29% and let Swift run 26%."

Now, isn't it a fact that it was within your knowledge that at that time Armour & Co. were aiming to get 30 per cent of the receipts at South Omaha, and Cudahy & Co. were to get 30 per cent, and Swift & Co. were to get 25 per cent, and Morris & Co. 15 per cent of the receipts?

Mr. **Murphy**. Why, it is evidently so from that letter.

Mr. **Heney**. The next letter I will read is dated November 27, 1911, taken from Cudahy's file and is addressed (reading):

"Mr. M. R. Murphy,
"*South Omaha, Nebr.*

"Dear Sir: I had a call from your neighbor to-day, and he agrees that we are paying too much money for hogs at Omaha and Sioux City, and that if we could get Omaha right, of course, it would regulate Sioux City, and he believes the best plan would be to let other people have what they want, and then split what is left. I believe in this plan, and I would advise you to work on it for this week, and I would suggest that you either call him on the phone or see him some time to-morrow and talk the matter over. We are killing a lot of hogs, and there isn't anything in them, and it is about time that we should be able to buy them at a margin.

"Yours truly,

"E. A. Cudahy."

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[1] See following note on these figures from p. 68 of Part II of the report: Note by Commission: These lead pencil figures were not on the letter as written by E. A. Cudahy, but were put on a copy of the Cudahy letter by one of the Commission's investigators as a memorandum for the examining counsel, the information having been previously ascertained by the investigator from the source noted on p. 29 above and placed on the letter as a corroboration of the percentages referred to by Cudahy. The figures were read into the record as follows:

"And then down at the bottom are lead-pencil figures

'30
30
25 Swifts
15

100%'"

That neighbor was Armour, wasn't it?

Mr. Murphy. Not to my—my recollection of this letter was it was his neighbor, instead of "your neighbor."

Mr. Heney. Whom did he mean by that?

Mr. Murphy. I would not know who he meant unless he meant some of the Armours or Swifts, or possibly this National. The National, I think, were——

Mr. Heney. (interrupting). Oh, you can readily see that was Armour. Don't you see you would not have divided with Swift after what was left at Sioux City, you would have divided with Armour equally?

Mr. Murphy. Well, this takes in Omaha also, this letter does.

Mr. Heney. Yes; well, Armour's percentage in Omaha is the same as yours, 30–30, and Cudahy was claiming the same percentage as Armour at Sioux City on account of being the only other plant. So, of course, that would be Armour?

Mr. Murphy. My recollection was that he had a call from his neighbor instead of "your neighbor."

Mr. Heney. Well, who did you go to see?

Mr. Murphy. I have no recollection of going to see anybody.

Mr. Heney. You were just as anxious as anybody else to please Mr. Cudahy and get this thing—this Omaha market, in line, weren't you?

Mr. Murphy. Yes, sir.

Mr. Heney. And naturally you would act on it?

Mr. Murphy. As a rule.

Mr. Heney. But you have forgotten it?

Mr. Murphy. As far as "neighbor" is concerned, I have no recollection of meeting anyone whom he might have designated as a neighbor.

Mr. Heney. Well, Armour was the only other one that was largely interested in getting things right at Sioux City, wasn't he?

Mr. Murphy. At Sioux City, I would naturally think he would be.

Out on the Pacific coast, where there have been less frequent investigations than in the East, the conspiracies to control live-stock and meat prices are conducted much more openly. Not only are there meetings of the representatives of the companies such as our agents uncovered in Los Angeles and Tacoma, but the heads of the packing companies are so little afraid that they fix prices by correspondence. We have a large number of their price-fixing letters dating from 1915 to the time of our agents' visit in 1917, from which we select the two following, which are interesting because they show the Western Meat Co., jointly owned by the Big Five, trying to fix a price so low that the Cudahy Packing Co.'s representative suggested a higher one:

Apr. 15, 1915.

Mr. R. Scott,
Mgr., Cudahy Pkg. Co., Los Angeles, Cal.

Dear Sir: Do not know just when I will be in Los Angeles, but thought I would let you know that it looks to us as though it would be fairly easy to buy cattle on a reasonable basis. I think 6c. will be the opening price, and whether they go lower or not will depend entirely on how many are offered, as the demand for beef is less than last year, regardless of the exposition.

They tell us that Mr. Fuller is shipping some of his cattle to Los Angeles to kill. Our man went down to see these cattle with Mr. Fuller who priced them at 7c. We did not know whether you were figuring on using these cattle or not, but we told him that our ideas were 6c., which of course would not hurt you in making your trade. Do you need these cattle, as if you don't we could probably use some of them very nicely, as they are not too heavy and are fairly close by?

Our market is about the same as when you were up here last, 10¼c.–10½c. for desirable steers weighing 650/700 lbs., and 9¾c.–10¼c. for the heavier weights. I am quoting the Butchertown prices on straight cattle, as we would not consider selling anything under 10½c. at the present time.

Has anybody bought the Oxnard cattle yet, as I was told they could be purchased for 6¼c. with a 4% shrink?

With best regards to you and Mr. Benjamin, I remain,

Yours very truly,

(Signed) F. L. WASHBURN.

FLW–O

P. S.—I received a letter the other day from Mr. Cudahy thanking me for taking you all to the plant, which I very much appreciated. F. L. W.

THE CUDAHY PACKING COMPANY, LOS ANGELES, CAL.,
April Twenty-second, Nineteen Fifteen.

MR. F. L. WASHBURN,
Western Meat Company, San Francisco, Cal.

DEAR SIR: Your letter of the 15th came duly to hand and would have had my attention sooner were it not on account of my absence in Imperial Valley.

Found the valley looking well with an abundance of feed in sight and not a great many cattle on hand to consume it. The only disturbing element is an invasion of grasshoppers that were in striking evidence in parts of the valley. Whether these will increase and multiply so as to become a serious menace, or will "fold their tents like the Arab gents and silently steal away," we are unable to say, but hope they will not prove of as great injury as they were last year.

We note your views as to the future of the grass cattle market which seems to be in line with the views of most of the Los Angeles packers. I can hardly bring myself to believe, however, that we will be fortunate enough to get good grass American cattle for 6c. per pound, and while we have not yet arranged with Fullers as to the price to be paid for the Chowchilla cattle, I have in mind a figure of 6½c. The sample shipment we have had is very good and two or three weeks more time on good feed on, which they are on will make them a very desirable herd. The weights are right and they are going to be in good condition. Our idea would be that 6¼c. for the average run of grass cattle would be about a fair market figure, provided there are sufficient supplies to meet the requirements of the summer trade. Woodward-Bennett & Co. and the Pacific coast people seem to think there is going to be a bountiful supply of good steers. I have not yet heard the Hauser people express themselves. We understand, however, they have already paid 6½c. for some grass steers from low freight points.

Answering your inquiry as to the Oxnard cattle, they were sold to the Pacific coast at 6¼c. with a 4% shrink. They were certainly a cheap lot of cattle and should make a nice "pot" of money. The Patterson ranch people must certainly have been in a panic to have sold them at that price with as much cheap feed as there is available at the present time. They could certainly have afforded to carry them into the summer or fall, but perhaps their judgment in disposing of them at the present time may be justified by future prices.

Very truly yours,

THE CUDAHY PACKING CO.,
(Signed) R. S. SCOTT, *Manager.*

We will need the Chowchilla steers. Expect to use most of them before other coast cattle are fully matured. S.

THE "BLACK BOOK" MEMORANDA.

These cumulative proofs of the existence of a combination among the Big Five alone would be sufficient basis for the Commission's conclusions; but they need not rest even upon this foundation, for we have memoranda by one of the members of the combination telling in detail of the negotiations which took place at several of the meetings in which the agreements were made and perfected. These memoranda were written by Germon F. Sulzberger, then president of Sulzberger & Sons Co., as soon as possible after he left the meetings, which was frequently late at night. As the minutes were for his own guidance, they covered particularly the phases of the agreements in which his company was especially interested. When discovered by the Commission's agents in the files of G. F. Sulzberger, the memoranda were contained in a black leather binder, stamped in gold on the cover "G. Sulzberger," for convenience hereafter referred to as the "Black Book."

As a rule, the important parties in these negotiations were designated by code symbols. The translation of the coded proper names of the Black Book is stated by G. F. Sulzberger, and is corroborated by internal evidence to be as follows:

"Sanford"—J. Ogden Armour, or the Armour interest.
"H"—The Swift interest, or one of the Swift brothers.
"Klee"—The Morris interest, represented by Edward Morris until his death, November, 1913, then by Thomas E. Wilson.
"Williams"—Arthur Meeker, vice president of Armour & Co.

In order to understand these memoranda it is necessary to recall that the National Packing Co., jointly owned by Armour, Swift, and Morris, which had been the instrument by which the combination controlled the meat industry after the abandonment of the "Veeder pool" in 1902, had been dissolved in July, 1912, and its properties distributed. This required an adjustment of the percentages, which was effected at some time prior to the 29th of January, 1913. The basis adopted was the actual division of live-stock purchases in 1910, modified by the distribution of the live-stock purchases of the National Packing Co.'s subsidiaries and by certain arbitrary adjustments to meet new conditions which had been created since 1910.

These figures are set forth in a memorandum in the Black Book of a "Meeting held with Sanford (Armour), at his office, January 29th, 1913, 3:15 p.m." This memorandum also contains an interesting paragraph which illuminates the apparent competition which takes place, and shows how easily such matters can be adjusted between "friends," if there is no respect for the Sherman Act or the Federal court's injunction:

> Sanford (Armour) seemed very discouraged with the general situation and prospects. I explained this was due, a good deal, to his own foolish tactics in New York; that the situation there had been completely demoralized by his actions and that this was a very sensitive situation. He admitted that he thought they had made a mistake there, but that the rest of the situation did not make him anxious to change his attitude. I explained to him that he was injuring us more than anyone else there as we had larger proportionate interests. He claimed that this was not so that "H" (Swift) had larger interests but I explained to him that proportionately this was not the case. He said he had no intent to work against us and said that he would arrange now to do the following: Reduce N. Y. 10% this week. 10% next week."

By the spring of 1914 some questions had arisen as to the percentage agreement, which required settlement, so, in connection with another equally important conspiracy, referred to later, these questions were taken up for discussion at several meetings held during April, May, and June, 1914. In order to show the character of these meetings and the method of arriving at an agreement, we will quote from one of the memoranda, that of the "Meeting at Armour's office June 4th, 1914, p.m." The Armour, Swift, Morris, and Sulzberger interests were represented at this meeting, but Cudahy apparently was not there, and it appears from other information that Cudahy, during this period at least, was not recognized as one of the "insiders," but accepted whatever proportion was allotted to him.

> Sanford (Armour) says showed plus 10 last week, but worse this week. (Note: This refers to the margin of profit on dressed beef sales.)
>
> Question of eastern killing of sheep and lambs, whether or not this is to be included, was discussed but not decided. Klee (Morris) claimed export cattle 1910 should be included, Sanford opposed. I stated that this was more than the mere purchasing of stock.
>
> Export figures for 1910, according to Sanford, showed the following:
>
> | | |
> |---|---|
> | Armour | 2700 |
> | Morris | 43000, excluding 17,000 exported from Canada. |
> | Swift | 17000 |
> | S & S | 13000 |
>
> Klee figures, including exports, 18.10. Sanford claimed this figure should be excluding exports 17.59. Sanford shows 11.79, including exports, as against 11.73 excluding exports for Sand. (S. and S.) Klee claimed account beef formerly exported by others having included (sic) therefore cattle exported 1910 should also be included. Sanford claimed this incorrect.

Armour's office appears, from these memoranda, to have been the chief meeting place at which these negotiations were carried on, and it further appears from numerous references that Arthur Meeker, vice president of Armour & Co., designated as "Williams" in the Black Book, acted as a sort of secretary to the combination, telling each what his share was and how nearly each was living up to the agreement.

These memoranda do not stand alone, but are checked and corroborated by numerous documents taken from the files of the packers and from other sources. Together they form conclusive evidence of a criminal business conspiracy.

THE INTERNATIONAL MEAT POOL.

The Black Book memoranda are not limited to a record of the American meat combination, but cover in equal detail the International Meat Pool formed by the Armour, Swift, Morris, and Sulzberger interests in conspiracy with certain British and South American concerns to regulate and divide the shipments of beef, mutton, and other meats from South America to the United States and certain foreign countries, particularly England.

In 1911 an agreement, referred to by Sulzberger as the "old pool," had been made by the seven packing companies operating in South America, providing for the regulation of the total export shipments and for the proportion each was to ship, as determined by meetings held from time to time. This pool broke up in April, 1913, because La Blanca Company, owned jointly by Armour and Morris, demanded a large increase in its percentage. The Argentine press at the time stated that the break was caused by the insistence of the American companies on increasing their exports to the United States as soon as the tariff was removed. The result of the break in the agreement was an almost immediate increase in cattle prices in Argentina.

About April, 1914, the pool was renewed, and it is to the meetings at which the new agreement was perfected that the memoranda in the Black Book refer. The principal meetings, attended by delegates from the American companies, were held in London, but these were supplemented by meetings and discussions among the big American packers in Chicago.

The notes on the meetings as recorded by Germon Sulzberger in the Black Book tell the story of the perfecting of the pool. We quote the notes on the meeting of June 4, 1914, which are unique in that they drop the code and give the proper names of those present:

MEETING HELD AT ARMOUR'S OFFICE JUNE 4, 1914, A. M.

Present: Messrs. White, Wilson, and Edward Swift.

I explained regarding Lamport (Lamport & Holt, big shipping company) space to States, also misunderstanding in regard to mutton.

I stated that our June shipments to States were 227 tons chilled and 120 tons frozen, and from July should be about 180 tons weekly up to October 1, 1914, and from then it would be about 250 to perhaps 350 tons weekly up to July, 1918. They questioned statement of 350 tons weekly and said they thought this was an error, probably coming on only fortnightly boats, which are starting in after October and which are probably all frozen.

La Blanca (owned by Armour and Morris) stated they had 500 tons from July on and probably 555 to 560 tons from October on up to 1918.

(NOTE.—This agreement was apparently to run until 1918.)

La Plata (owned by Swift) contract with Lamport & Holt is they are to receive one-third of total space, this covering both Uruguay and Argentine plants. I stated I thought this a little excessive for Swift.

Mutton: No one thought this item of any particular importance or interest, as they found the business unprofitable, excepting at a certain particular season of the year. While Patagonia is not included, no mutton can be shipped from there now, it not being the season until December.

Beef: They also stated percentages which had been allotted us on beef for England were as follows: Up to Sansinena (Sansinena Frozen Meat Co., Ltd.) contributed equally by everyone; difference up to one-half of La Blanca contributed by Nelson (James Nelson & Sons, Ltd.), in which they thought probably Poels had also contributed.

Sheep and Lambs: *The understanding had been that these were to remain as in the old pool previous to April, 1913.* [Italics by the Commission.] Understanding was that sheep from Uruguay, not to exceed 20,000 weekly up to October of this year. As far as the Argentine sheep were concerned, no one cared for this business, as it was not profitable at the moment.

There is no understanding that Uruguay is entitled to 25% of total Uruguay-Argentine sheep; these figures happened to come out in this way at this moment. After six weeks Argentine may or may not be increased without a corresponding change in Uruguay figures; the understanding being simply that Uruguay mutton shipments are not to exceed 20,000 per week up until October, whereas the 60,000 carcasses per week for Argentine extend only for a six weeks' period.

As regards mutton for the United States, this is entirely unlimited.

Regarding beef to the United States, it was understood that Lamport & Holt would give Sansinena space equal to the River Plate (River Plate Fresh Meat Co., Ltd.) space.

I stated that the United States shipments as arranged figured about as follows, which figures were made note of:

La Plata (La Plata Cold Storage Co.)	32.23
Uruguay La Blanca (La Blanca Co.)	23.02
River Plate (River Plate Fresh Meat Co.)	11.97
Sansinena	
Sansinena Uruguay	
Smithfield & Argentine (Smithfield & Argentine Meat Co., Ltd.)	11.05
Nelson (James Nelson & Sons, Ltd.)	11.97
F. A. C. (Frigorifico Argentino Central)	9.76

(NOTE.—Swift owns the La Plata; Armour and Morris jointly own the La Blanca; and Sulzberger then and Wilson & Co. now own the F. A. C.)

I stated in reference to these figures that there would be some change on account of Sansinena not being included.

> I stated we were not satisfied with our figures, which they explained, however, were all that could fairly be asked.
>
> (Signed) G. F. S. (GERMON F. SULZBERGER).

That this combination and conspiracy to limit the supplies of meat to the United States and our allies has continued to the present time, and with pernicious results, is shown by a statement made in 1917 by the president of a committee appointed by the Argentine Chamber of Deputies to investigate the cost of necessities:

> They (the combination of packing companies) suppress real competition, maintaining it only in appearance, and they determine by common agreement the prices which are to be paid to producers, reserving to themselves the right to sell at the highest price possible in order to obtain enormous profits which do not remain in the country. Thus it is that these freezing companies have been able to show in their latest balance sheets more than 100 per cent of profits, that is to say that in a single year they have made more than their capital. * * * Here the freezing companies contract with the foreign purchaser, who is to-day, owing to circumstances of the war, a single party, since the Allied Governments have concentrated their purchases in a central office—and having made their agreements at prices which they raise as high as possible, they purchase the live stock from the producers, imposing upon them the law of the strongest.

AGREEMENTS IN OTHER LINES.

These agreements and close relationships among the big packers are by no means confined to the purchase of live stock and the sale of meats. Here, for example, are extracts from a few letters taken from the files of the Neenah Cheese & Cold Storage Co., one of the subsidiaries of Armour & Co., which neglected to "comb" its files before the visit of the commission's agents. These extracts, more or less typical of a hundred or more letters in the commission's possession, reveal how closely the American cheese market is controlled.

This control of the cheese market is of particular interest in view of the enormous hoarding of this food indicated by a letter, dated November 4, 1917, from C. E. Blodgett (who, with Armour, owns the C. E. Blodgett Cheese, Butter & Egg Co.) to I. F. Laing, of the Neenah Co., another Armour concern:

> You and I both know that there are enough twins (a form of American cheese) in storage in the United States, if England doesn't come back and buy of us, to last for the next two years to come.

On June 30, 1916, J. W. Brown (manager of the butter, egg, and poultry department of Armour & Co.) wrote to I. F. Laing:

> Your Mr. Nesbit at Spring Green raised the market to 14½ on cheese. Don't you think this is very bad work? How do you expect we can influence the people at Plymouth (the principal cheese board) to hold the market at 14½ cents if you raise the figures? Wish you would tell this gentleman that he must not do this, because our interests elsewhere are so great that we can

not afford to raise the market on ourselves, and Plymouth will certainly go up if you bid over the Plymouth prices on other boards. They all seem to be worked up about this.

Relations between the big packers in the cheese market are well shown by the following letters:

MARSHFIELD, WIS., *July 8, 1916.*

Mr. J. W. BROWN,
% Armour & Co., Chicago, Ill.

DEAR MR. BROWN: Referring to your wire of even date in regard to getting the market down at Plymouth. I doubt very much if this can be done. I have had this up with Plymouth and Sheboygan (two big cheese boards) this week and again to-day. Also talked with Mr. Pauly (Pauly & Pauly, Swift buys four-fifths of sales) about it and they complain bitterly about what Blanke is doing down in that section; about going out to the factories and paying premiums for cheese and claiming that the dealers are all sore about it and they can't handle them, altho they have agreed with me to put the market down a quarter of a cent if it's possible; but I tell you one thing, Mr. Brown, I can't handle these people down there any longer unless something can be done to keep Blanke from antagonizing them the way he is, and you are the only man that can handle this. I am doing the very best I can and sending a carload of cheese down there a week to be distributed among the brokers to keep the market in line, and it's costing me a hundred dollars a week to do it, but I can't do it without some help from you.

Yours truly,

C. E. BLODGETT CHEESE, BUTTER & EGG CO.,
(Signed) C. E. BLODGETT.

(This letter had shorthand annotations, which stenographer in office could not decipher.)

JULY 11, 1916.

Mr. I. F. LAING,
% Neenah Cheese & Cold Storage Co.,
125 W. South Water St., Chicago, Ill.

DEAR SIR: Please note Mr. Blodgett's letter attached. If this man Blanke is causing all this trouble, I wish you would put a muzzle on him. We must keep down the markets if possible when we are accumulating these big stocks.

Let me hear from you, please.

Yours very truly,

ARMOUR & COMPANY,
(Signed) J. W. BROWN.

JWB/R

It is certain that by no means all the agreements in effect between the big packers came to the attention of the Commission. Thus, for example, we have evidence of an agreement on lard compound, which was made at the time the Commission's investigation was being vigorously pressed and came to light only by chance:

Letter, Armour & Co. to H. G. Sharpnack (Armour's branch house superintendent at Pittsburgh), dated January 24, 1918:

It's always been our understanding that if our organization had the same price as the other fellow that's all they need. This is certainly a fact on

Substitute since January 14th, and we will be very much surprised if your territory does not triple its business each month. We do not recall having such an opportunity in the history of the firm, and if this practice is maintained it's a pretty safe bet we will get our share.

This was followed on January 28, 1918, by a circular from H. G. Sharpnack to all managers, giving the following instructions:

Please give this compound all attention possible. Everybody's price must be the same as yours. If you find any deviation, make doubly sure that you are right by seeing the bill, noting the date of same, quantity sold and the price, and let me have it.

This so pleased Armour & Co. that on January 30, 1918, L. L. Whelen, of Armour's lard department, wrote Sharpnack:

Very glad to note your cooperation on White Cloud, as per your circular to houses dated the 28th. In this connection, however, it occurs to us that we should not make any noise about competitors' prices being identical, etc. Under present conditions this is not advisable, as you are undoubtedly aware. Also you might destroy this letter on the subject.

Evidence of other agreements might be quoted at length, and they will appear in the report. The quotations already made would seem to answer affirmatively the President's question:

Are there manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest?

We will not elaborate on the fact that these agreements, combinations, and pools are continuing conspiracies. So far as the meat pools are concerned this is proved not only by the present continuance of the agreed-upon divisions of live-stock purchases, but by letters of recent date.

In the case of the agreements and conspiracies regarding cheese and lard substitute, the evidence presented relates entirely to matters which have occurred within the last two years and which there is no reason to believe have been changed by later events.

JOINT FUNDS.

Further evidence of the existence of a conspiracy among the five big packers was found in the vault of Henry Veeder, in the form of documents relating to funds maintained by the big packers and oleomargarine manufacturers, primarily for the purpose of protecting themselves from punishment for the divers practices already described in part.

These joint funds, as will be shown in one of the sections of the report, were used:

To employ lobbyists and pay their unaudited expenses;

To influence legislative bodies;

To elect candidates who would wink at violations of law, and defeat those pledged to fair enforcement;

To control tax officials and thereby evade just taxation;

To secure modifications of governmental rules and regulations by devious and improper methods;

To bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution at large expense of false and misleading statements.

Henry Veeder, the manager of the Veeder pools of the nineties, is the assessor, collector, and paymaster of these joint funds, and his office is the clearing house through which the money passes and to which reports are sent. Although single assessments for these funds range as high as $50,000, Veeder claims that he keeps no books showing the disposition of these large sums of money, but the many letters now in our possession show specifically to whom a part of the money was paid and for what purpose.

At least two separate pools of this character are participated in by the big packers: First, "The Packers' Pool," limited in membership to the Big Five; and, second, "The Oleo Pool," the membership of which varies from year to year, but always includes Armour and Swift.

The Oleo Pool is composed of large manufacturers of oleomargarine, butterine, and other similar products, who are pledged to divide whatever assessments may be determined upon for their joint purposes on the basis of their proportionate production of oleomargarine during the preceding year. In 1917, for example, the membership of the Oleo Pool and the percentages used in collecting the joint funds were as follows:

	Per cent.
A. (Armour & Co.)	12.387
F. (Friedman Manufacturing Co.)	6.246
J. (John F. Jelke Co.)	32.172
M. (Morris & Co.)	10.481
W. J. M. (W. J. Moxley, Inc.)	11.563
W. (Wilson & Co., Inc.)	4.265
H. (G. H. Hammond Co.)	3.652
S. (Swift & Co.)	19.234

The general character and purposes of the Oleo Pool are disclosed by the following extract from a letter written by Alfred R. Urion, former general counsel for Armour & Co., to Henry Veeder:

> I give you the following information to be disseminated amongst those who are associated with us in Pennsylvania oleomargarine. The source of my report you are familiar with. I give you letter on the subject received Saturday:
>
> "Have been given positive assurance by the big man that there will not be any suits brought in this State during the time named on tinted goods, provided they are not too yellow; that is to say, you must not go to extremes in

color, but that the regular run of tinted goods will be all right. The wholesalers and manufacturers should not go farther in spreading the understanding than to simply notify their trade verbally that no suits will be brought and that there will be no trouble in their handling natural tinted goods."

I have gone back to the party by letter and asked to get a definite statement from the big man, calling off the State agents from taking samples and frightening the trade, and have no doubt will receive a favorable answer thereto.

The genesis of what we have called the Packers' Pool, as well as the basis upon which it is operated, is told in the following letter from Henry Veeder to W. B. Traynor, assistant to Louis F. Swift:

AUGUST 23, 1916.

Mr. W. B. TRAYNOR,
% Swift and Company, Chicago.

DEAR SIR: You asked me the other day for certain percentages which are generally known as the "usual percentages." On July 30, 1913, L F S, A M, and T E W agreed with C and S & S upon the following percentages to cover general legislative and litigation matters:

S	35751	39723	44689
A	29266	32518	36582
M	14983	16648	18729
C	10	11111	
S & S	10		
	100000	100000	100000

Of course, C and S were arbitrary. The A, F, and H figures are the so-called old beef figures, which were based upon the volume of beef business in 1902.

Sincerely yours,

——— ———.

This letter and agreement contain a great deal more meaning than cursory reading would indicate. In the first place, this letter, as well as many other documents to be produced hereafter, shows that Henry Veeder, the agent of the former conspiracies, is still acting as the joint agent for the Big Five and the custodian of their agreements.

Analysis of the letter shows that on July 30, 1913, just one year after the dissolution of the National Packing Co., Arthur Meeker of Armour & Co., Louis F. Swift, and Thomas E. Wilson, then president of Morris & Co. (representing the interests which had jointly created and owned the National Packing Co.), came together and agreed upon certain fixed percentages, to be known in the future as the "usual percentages" for use in the settlement of "general, legislative and litigation matters."

The basis selected for the apportionment is shown by the cryptic words of the last paragraph: "The A F and H figures are the old beef figures of 1902, but the C and S & S figures are arbitrary." No F and H figures are mentioned in the letter, but reference to the testimony of Henry Veeder in 1912 shows that in the pools of the nineties each company was designated by a code letter—A for Armour, F for Morris, and H for Swift. Thus the "old beef figures" are the percentages used in the Veeder pool.

The packers' joint activities for the prevention of governmental action are illustrated by the vicissitudes of the legislative efforts to secure an investigation of the packing industry. This investigation, it may be remembered, had its origin in resolutions introduced in the House of Representatives in February, 1916. Early in April of that year, a committee of three of the confidential employees of Swift & Co.—A. D. White, John M. Chaplin, and R. C. McManus—were sent to Washington to investigate and report on the status and probable chances of the resolution. On April 10, 1916, they prepared a long joint memorandum, copies of which were sent to the principal officials of each of the five packing companies, stating in substance that the resolution could be blocked only by adroit and vigorous action of the packers and their friends along certain indicated lines, and containing the warning:

> *We believe the situation to be serious and recommend that due consideration be immediately given to it and that everything be done* to head off the present movement and to relieve the tension. *We believe that as it stands to-day, nothing could stop criminal prosecutions* and that the situation is serious where men like Burke[1] who have been in the business all their lives regard trivial and irrelevant circumstances as conclusively proving criminal operations. [Matter in italics was underscored in red in original.]

Following this warning the Big Five proceeded to take the following steps:

First, they raised a joint fund of $15,000 assessed upon the basis of the "usual percentages."

Second, they arranged "to flood Congress" and particularly the Judiciary Committee to which the resolution had been referred, with telegrams from commission men, bankers, and other apparently disinterested people, whom they seemed to think they had under some degree of obligation.

Third, they set at work one of their most expert lobbyists, Colin H. Livingston, who, in addition to his general influence, indicated by his position as vice president of a Washington bank, had for years been employed as secretary to a Senator and had a thorough knowledge of Congressional affairs.

Fourth, they brought support to a bill providing for the collection of certain data, on the theory that it would serve to sidetrack the proposed investigation.

Through these and other maneuvers, they were able to block the movement for an investigation until the President of the United

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[1] Edward L. Burke, vice president of the American National Live Stock Association.

States, in February, 1917, directed the Commission to make the investigation.

What big packers did through their agents and tools to prevent and nullify the present investigation is only typical of their activities in connection with other attempts made by the States or by the National Government to regulate or improve the conditions existing in the industry.

METHODS AND RESULTS OF THE COMBINATION.

The purpose of this combination, which for more than a generation has defied the law and escaped adequate punishments, are sufficiently clear from the history of the conspiracy and from the numerous documents already presented, namely:

> *To monopolize and divide among the several interests the distribution of the food supply not only of the United States but of all countries which produce a food surplus, and, as a result of this monopolistic position,*
>
> *To extort excessive profits from the people not only of the United States but of a large part of the world.*

To secure these ends the combination and its constituent members employ practically every tried method of unfair competition known to this Commission and invent certain new and ruthless methods, to crush weaker concerns.

The early strength and rapid growth of the Big Five was stimulated by the extortion of rebates under one disguise or another and special privileges.

Among other well-known methods of unfair competition used by the big packers of which the Commission has evidence may be mentioned the following:

Bogus independents.
Local price discriminations.
Short weighting.
Acquiring stock in competing companies.
Shutting competitors out of live-stock markets.

In addition to these recognized methods of unfair competition the Big Five also employ a vicious system of rotation in price cutting. This consists in each of the Big Five, or as many as happen to be represented in a given territory, arranging to cut prices in rotation, a day at a time or a week at a time, so that the burden, distributed among the big packers, will seem light, but will fall with crushing weight on the independent competitor.

These big packers who aim at world monopoly persistently stoop to the commonest of commercial frauds—short weighting. They short-weight the live-stock producers in the sale of grain and hay at the stockyards; they short-weight the retailers on their shipments of meat; they short-weight the Government; and, to make a complete job of it, they short-weight one another. Here is an amusing example of the last-named practice in the form of an extract from a letter written July 6, 1917, by Armour's Neenah Cheese & Cold Storage Co. to its Mineral Point (Wis.) branch, giving instructions with reference to Cudahy's demand for a weighmaster's certificate on his order:

> Now if you have not an official weighmaster, get some fellow that looks like one and furnish him with blanks if necessary yourself. It is hardly necessary to have him make a test on each lot. You can arrange to have a few cheese sitting around for him to weigh that are not going to show up too much shortage. Whatever you do, however, give them good weights on the car.

How considerably this practice of short weighting may affect the retail price of meats appears from a single example, selected at random from several tests made in the presence of the Commission's agents:

Barrel of pork butts from Armour & Co.

	Weight in pounds.	
	Marked.	Actual.
Gross	287	284
Tare	21	29
Net	266	255

Here were 11 pounds of pork which the retailer is forced to pay for because of the inflexible rule of the big packers that shipments must be accepted at stamped weights under penalty of having credit cut off. The cost of these 11 pounds had to be distributed in some way over the selling price of the remainder and collected from the consumer.

Foremost of packer practices in evil results is the manipulation of the live-stock markets, manifested primarily in violent and unreasonable fluctuations in live-stock prices from day to day. This constitutes the greatest grievance of the live-stock producers against packer control of the markets. How seriously these market fluctuations are regarded by live-stock producers is expressed in the following statement of E. L. Burke, vice president of the American National Live-stock Association:

> The fact is that beef production in the corn belt has become the most hazardous and uncertain legitimate business that a man can engage in. Outside of gambling on the board of trade or the New York Stock Exchange, I know of nothing to compare with it.

Probably the worst thing the feeder has to contend with is these violent fluctuations. The plausible contention is made by the packers that the rapid advances are an offset to the declines, but such is far from the case, as fully three-quarters of the cattle are bought on the days of heavy receipts, reducing the average cost far below the average daily prices.

Our information shows that there are three principal causes for these violent price fluctuations:

First, collusive manipulation by the big packers to drive the prices either up or down, depending upon whether they are overstocked with fresh and cured meats and want to sell in a high market or are understocked and want to buy in a low market. This is illustrated by the following extract from a letter written by E. A. Cudahy to M. R. Murphy, his general superintendent at South Omaha:

> There is no use in being very aggressive about our percentage as long as there is a loss in the hogs. * * * I think Swift is long considerable stuff on the market and Armour short, and Swift thinks he has to keep the price of hogs up in order to keep the provision market up. There isn't any particular secret about the business and I don't see that they are doing any better than we are, and the only thing we can do is to wait until they see fit to improve conditions.

Second, violent price fluctuations also occur as the result of disagreements among the Big Five, as, for example, when Mr. E. A. Cudahy, apparently excluded from the inner circle for a while, wrote the following to M. R. Murphy:

> Regarding hog buying—going to have pretty hot time unless allow other fellows to wipe us off map. Better see how our buyers stand in yards. May be at little disadvantage account position we have taken on market for long time. *Notice Chicago market about 15 higher to-day—so must be row on here too. Don't know what is matter with packers, but things seem to be getting worse instead of better.*

Third, unnatural price fluctuations are created when the packers controlling a particular live-stock market decide to keep some competitor out by raising prices. This is illustrated by the following letter from Morris & Co.'s files, signed "E. M., Jr.," presumably Edward Morris, jr.:

CHICAGO, 7/23/15.

Mr. E. G. ELDRIDGE,
Oklahoma City, Okla.

DEAR SIR: Notice Armstrong[1] was in your market yesterday and bought 210 hogs. With receipts getting now we can't afford to have Armstrong take any hogs out of our market. If he comes in for any hogs, let us put the market up a bit and make him pay enough so he will stay out. Our receipts are so light, it is hard to operate a place even if no outsiders buy on the market.

Yours, truly,

E. M., JR.

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[1] Armstrong Packing Co., which Armour had secretly bought in 1908, but which was at the time of this letter regarded as an independent, even by members of the combination.

Another indefensible practice, which particularly affects the producers of live stock and has done much to dishearten them, is technically known as "wiring on." When a cattleman, dissatisfied with the prices offered at the stockyards to which he has shipped, decides to try another, a telegram is sent forward over the packer's private wire notifying the buyers at the destination that the cattle are being shipped and giving the price offered at the first market. As a result the cattleman finds that at the second market he is offered the same or a lower price, and stands to lose at least the freight and the shrinkage as punishment for trying to beat the system.

The packers have repeatedly denied that they wired on, although sometimes admitting that they used to; but something like a hundred telegrams of recent date now in the possession of the Commission completely refute the denial.

It is our opinion that the failure of American meat production to keep pace with population is in large measure due to the conditions created and maintained in the markets by the Big Five. Their conspiracies and unfair practices have disheartened producers of live stock by destroying their confidence in the fairness of the marketing system to such an extent that large numbers have abandoned or curtailed their operations. Thousands of the more intelligent producers to-day regard the stockyard markets as gambling places in which the packer owners not only take an exorbitant "percentage" but rig and control the game itself.

They see in the violent fluctuations of the market—and our investigation confirms their suspicions—manipulations by the big packers in order to secure their raw material cheaply. They know by repeated experience that these fluctuations are so large and so unnaturally sudden that many a producer loses heavily because he happened to ship his live stock on Monday instead of on Wednesday. When this happens and a live-stock producer loses thousands of dollars on animals whose production and shipment represent a large investment and long months of hard labor, there follows discouragement and a loss of credit which effectually prevents the speedy reestablishment of the same scale of production. It is such conditions which have led able and energetic cattlemen to testify before the Commission that under present conditions they would not willingly hand on their business of cattle raising to their children.

But the packers have even more directly affected production. Their very system of concentrating the markets and packing houses at a few large centers, where live stock can be disposed of profitably only in bunches, has discouraged farmers and people in small towns from raising animals which otherwise would readily find sale. The present "raise a pig" movement is retarded by the fact that there are no convenient near-by places to dispose of the pig after he has been raised.

Moreover, the packers have deliberately discouraged production in certain regions where they do not wish to establish packing plants and slaughterhouses. The story of the packers' activities in destroying the raising of sheep and other animals in New England is a chapter by itself.

It is unnecessary to do more than point out the large part which live-stock raising plays in the successful production of other foods. Live stock on farms are not only essential to fertilization but provide a means of utilizing waste and surplus crops which often marks the difference between success and failure. There is room on the farms and ranges of the United States for an immense additional number of animals, but so long as farmers and live-stock men believe that they will have only a "gambler's chance" instead of a "square deal" at the markets there will be great difficulty in securing this production.

What has been said applies specifically to the production and marketing of live stock, but the same methods are being applied by the big packers in other branches of food production, and equally deplorable results are apparent. The producers of milk, butter, cheese, and poultry are finding themselves disheartened by exactly the same conditions and practices, against which the live-stock men have been vainly contending for more than a generation. Little has been heard of these conditions outside the particular regions in which they exist, but they are already causing unrest and dissatisfaction in the regions where these foodstuffs are produced, and sooner or later, unless the conditions are corrected, there will be a situation in connection with each of these as serious as was the live-stock situation which led to this investigation.

With the thought that the road to reasonable food prices lies in the direction of the elimination of monopoly, the curbing of unfair practices, and the assurance of a fair and reasonably stable market, the Commission here gives relatively small space to the question of profits and costs. There is no doubt that the packers' profits, particularly since the beginning of the European war, have been enormous, both in the United States and in foreign countries. Measured by prewar profits, the 1917 profits[1] were 350 per cent greater than in the average of the three years before the European war; measured by the amount of sales, they averaged, in 1917, 4.6 cents on the dollar, which was sufficient to produce for the five companies a total profit of $96,182,000; measured by the net worth of the combined corporations (capital stock plus surplus), they averaged, in 1917, 21.6 per cent; measured by the capital stock outstanding, as an indication of the dividend possibilities, they averaged, in 1917, 39.5 per cent; and measured by the packers' actual investment of new capital, they amount to several times even this last figure.

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[1] Exclusive of Armour's foreign profits. Inclusive of only part of Swift's South American profits.

All these are minimum figures for the reason that the packers' accounts are so constructed that they conceal profits rather than reveal them. There are numerous "secret reserves"; there are endless transfers of material from department to department at fictitious or arbitrary values; and there are all sorts of improper items charged in as expenses, ranging from items properly chargeable to capital to improper payments which have no place in any business. To have untangled these accounts so that a complete presentation of profits and costs could be made would have required accountants and clerks as numerous as the several thousands employed by the packers.

Moreover, the parent corporations and particularly the meat departments are made to bear the costs of the process of monopolization in various remote fields. Sometimes during periods of cutthroat competition, these losses will run on for years, borne entirely out of the current earnings of meat and other lines, but when the fat years succeed the lean, the packers protest against any part of these earnings being carried back to the credit of the departments which bore the losses.

The unreliability of all meat cost-and-profit calculations is increased when they are placed upon a "per head" basis, for a new and difficult question immediately is presented as to what is included in the denominator of the fraction from which the result is obtained. However, since much publicity has been given by Swift & Co. to certain figures purporting to show their net profit on "dressed beef and all by-products" to be $1.29 per head in 1917, some comment is called for. This is best put in the form of a quotation of a letter written by Charles H. Swift to Louis F. Swift and Edward F. Swift under date of June 23, 1916:

[Private.]

CHICAGO, *June 23, 1916.*

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter June 13th to L. F. S. regarding Borland resolution in which Mr. Meeker is quoted as saying that Armour made a profit of $1.19 per head on cattle for certain period (ours for the same period $1.28 per head):

Mr. Chaplin understands that Armour's includes their canners, which ours does not; part of their sausage results, and has 10c added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over $2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all of the above-mentioned, which ours does not.

CHARLES H. SWIFT.

The statement of the accountants who prepared the Armour cost figure of $1.19 per head shows that it did not include actual profits from fertilizers and various other by-products. The significance of this letter is that it shows that, when we include a part of the by-products and take in transfer values at market prices, Swift's profit immediately jumps to "more than $2 per head," and if we add other by-products properly chargeable and bring back the branch-house profits, the figure keeps on climbing until it is more than 100 per cent larger than the $1.28 for 1916, and the $1.29 for 1917, which Swift & Co. are spending great sums in advertising.

BUSINESS ETHICS OF THE PACKERS.

The packers, in their recent public statements and advertisements, have striven to create the impression that they have grown to their present size solely as a result of superior efficiency, and that whatever improper or illegal practices were discovered in connection with their business were merely incidental. The conclusion, however, that is produced by a study of their history and present activities is that they have attained their dominant position primarily as a result of unfair practices and illegal methods. The fact that they have so generally resorted to unfair methods of meeting competition discredits their claims of superior efficiency. It is difficult to believe that, if the big packers had been able to extend their business rapidly by efficiency alone, they would have resorted to the devious and illegal means of crushing competition which they have employed.

This conclusion is strengthened by a perusal of the packers' letters in which their motives are often frankly stated. The following letters, introduced with merely explanatory comment, were written by the packers or their agents in the course of their everyday business.

Extract from a letter written by Guy C. Shepard, vice president of Cudahy Packing Co., to Mr. R. Murphy, general manager of the company, under date of February 12, 1918:

> I presume that it is true that all of us have not been as considerate as we should have been in view of the great strain and the difficulties under which you and all of the superintendents have been laboring since the first of January. The whole truth of the matter is we have nearly bitten off more than we can chew. *There never was a time in the history of the business when we have had as good a margin on the hogs for as long a stretch continuously and naturally it has made everyone very greedy to kill every hog they possibly could.* I don't suppose any of us have wasted much time figuring out whether we could or could not handle the business when we saw a chance to land a big allotment over at the Food Administration. The main idea that we had in mind was that it was profitable business and the first thing to do was to take the order and then get through with it some way or other.

To understand the following telegram, sent by F. E. Wilhelm, of the Cudahy Packing Co., to the assistant manager of their Omaha plant, it is necessary to know that cheek meat, shank meat, and bull meat are inferior kinds of meat, which, until very recently, were almost valueless.

CHICAGO, ILLINOIS,
February 6, 1918.

W. DEISING, *Omaha:*

Notice you sold some beef cheek meat at 12½c. EAC[1] says not to sell any more but to consider it worth 18¢. Would suggest you hold this stock as we have been discussing recently with the Food Administration about having the specifications for canning meat revised so that cheek meat might be included, and would like to have this extended to shank meat and bull meat.

F. E. WILHELM.

A little earlier Morris & Co.'s sales manager wrote the following letter, relating to the sale of a quantity of "fishy" butter at fresh-butter prices to one of the Army camps:

NEW ORLEANS, LA.,
Nov. 24, 1917.

Mr. C. J. MURPHY,
Morris & Company, Chicago, Ill.

DEAR SIR: We are in receipt of your two letters of the 22nd relative butter we are holding here for Panama.

Regarding the duty having been paid on these shipments will say that we will be unable to do anything on this here towards securing a refund or drawback, as the duty was paid by consignee in Panama, and they of course will have to enter their claim down there and collect from the Panama Government.

We have advised the foreign department fully as to the disposition of this butter giving them all the information you request, and suggest you take up with Mr. Carlsen regarding. With reference to your remark "to work a little closer" on a proposition like this, it would seem to us that the fault is not at this end, as we were handling this for the foreign department, and if it was necessary for you to be in touch with this that they should have kept you posted. We certainly kept them fully advised at all times as to what we were doing with this stock.

Regarding shipping this butter to Alexandria, La., to take care of the butter contract for Camp Beauregard. We wired Mr. Simpson night message 11/13 asking if it would be satisfactory to use this butter to fill contract orders Camp Beauregard, and received reply from Chicago 11/14 advising it would be O. K. to use this butter for this purpose.

Might add for your information that we examined some of this stock before shipping to Alexandria and found all we tested to be very fishy, and we feel that the stock was well sold at price you mention. [Italics by Commission.]

Yours, truly,

MORRIS & COMPANY,
(Signed) W. J. FITZGIBBONS.

WJF-HM

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[1] Apparently E. A. Cudahy, president of the Cudahy Packing Co.

Of somewhat similar character is the following letter written by Armour & Co.'s branch house superintendent at Philadelphia to the manager of the dressed beef sales department:

ARMOUR & CO., CHICAGO, ILLINOIS.

917–925 NOBLE ST., PHILADELPHIA, PA.,

February 23, 1918.

MR. V. H. MUNNECKE,
Armour & Co., Chicago, Ill.

DEAR SIR: This has been a very unsatisfactory week, because of the great quantity of bad condition beef we have had to sell. Even our Kisher cars coming into Noble Street were off condition. 90% of our beef unloaded this week was very stale.

Morris and Wilson had just as much trouble as we had. Swift got by with practically no trouble at all. Possibly this trouble may partly be accounted for by the beef being held a long time at the plant, while Swift had cars and was able to keep closer up to date on his shipments.

Wilson froze quite a little beef, some out of their own shipments, and some they bought. They bought beef from us at 132 N. Delaware Ave. that had been wiped up twice before we sold it to them. They bagged it up and shipped it to New York for freezing. They bought beef from Arch Street that was so bad that we bathed it in vinegar and soda before we showed it to them. I think this beef also was shipped to New York for freezing.

I certainly do not know what they are going to do with this beef. *I certainly do not think beef in the condition they are buying ought to be exported or offered to our armies.* [Italics by Commission.]

Yours truly,

T. G. LEE.

TGL—MGC.

WHAT OUGHT TO BE DONE.

In the President's letter of February 7, 1917, we were asked to state as a result of our investigations: "*What measures are necessary to effect fundamental improvements?*"

What the remedy is will appear from a brief analysis of the situation. The rapid rise of the packers to power and immense wealth and their present strangle hold on food supplies were not based necessarily on their ownership of packing houses, but upon their control of the channels of distribution, particularly the stockyards, private car lines, cold-storage plants, and branch houses. Similarly the great profits which they have secured and are now securing are not primarily due to exceptional efficiency in operating packing houses and manufacturing plants, but are secured through their monopolistic control of the distributive machinery. This applies not only to the meat industry, but to the other branches of the food industry which they control, as is evidenced by the fact that particularly in recent years they have made far greater efforts to secure control of the distribution of the product than to secure manufacturing plants in the case of such products as cheese and canned goods.

Several letters in our possession might be cited in support of this statement.

As long as the packers control these distributive utilities, producers will be at the mercy of the big packers, competition will be restrained, and consumers generally will continue to pay the price of monopoly. Control and manipulation of the live-stock markets have been the great factors in the discouragement of live-stock production. Control of the transportation and marketing facilities have been the instruments by which competitors have been crushed.

We see no possibility of effecting the "fundamental improvements" which the President's letter sought, short of the acquisition by the Federal Government of the distributive utilities now controlled by the Big Five, and the establishment by the Federal Government upon equal terms for all the additional storage and distributive facilities necessary to open the channels of commerce in foods and related products and insure their free and unrestricted flow from the producer to the consumer.

We recommend, therefore:

1. That the Government acquire, through the Railroad Administration, all rolling stock used for the transportation of meat animals and that such ownership be declared a Government monopoly.
2. That the Government acquire, through the Railroad Administration, the principal and necessary stockyards of the country, to be treated as freight depots and to be operated under such conditions as will insure open, competitive markets, with uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of live-stock production in the United States may require. This to include customary adjuncts of stockyards.
3. That the Government acquire, through the Railroad Administration, all privately owned refrigerator cars and all necessary equipment for their proper operation and that such ownership be declared a Government monopoly.
4. That the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption. The same to be operated by the Government as public markets and storage places under such conditions as will afford an outlet for all manufacturers and handlers of food products on equal terms. Supplementing the marketing and storage facilities thus acquired, the Federal Government establish through the Railroad Administration, at the terminals of all principal points of distribution and consumption, central wholesale markets and storage plants, with facilities open to all upon payment of just and fair charges.

The stockyards, and their essential adjuncts, such as exchange buildings and terminal railroads, must be acquired and operated by the Government under such conditions that the producer will be assured of a fair market, reasonable charges, open bidding, full and helpful market information, the limitation of violent fluctuations in price, and the elimination of unnatural market influences. Moreover, the measure authorizing the acquisition of the stockyards should provide for the acquirement by right of eminent domain of such sites adjacent to the yards as may be necessary for their proper expansion and for the location of such independent, municipal, or cooperative abattoirs or packing houses as may be established. This will open the way for the independent packers and butchers, big and little, to establish their plants and secure their live stock under such conditions as will enable them to compete actively with the big packers. Furthermore, we believe that the establishment of such open, competitive markets will be followed by a large increase in live-stock production.

The necessity for acquisition by the Government of refrigerator and other private car lines and icing stations is so obvious, particularly since the railroads have been brought under Federal operation, that argument seems unnecessary.

Acquisition of the stockyards and car lines alone will not secure the fundamental improvements which we are seeking. Figuratively speaking, we will have opened only two of the doors by which the big packers have obstructed the channels of food commerce, while the third remains closed. An independent packer may with Government-owned yards and cars find it possible to secure and ship his products upon terms of equality with the big packers, but unless he has an opportunity to dispose of them under fair conditions, his competition will not be effective and the consumer will not be benefitted.

It is for this reason that we consider the provision of proper marketing and storage facilities by the Federal Government through branch houses and establishment of central wholesale markets and storage places to be an essential feature of a system which will provide for the American people adequate supplies of food at reasonable prices during both war and peace.

(The following is an extract from Part IV of the Report of the Federal Trade Commission on the Meat Packing Industry:)

Local price discrimination.—The packers do not hesitate to raise prices in a locality in order to take the business away from independent buyers, and equally unhesitatingly lower the prices in those localities where they have eliminated local competition.

J. E. Hoban, a country buyer and shipper of produce at Carrollton, Mo., testified that on the same date, February 6, 1918, F. M. Stamper Co., of Moberly, Mo. (controlled by W. F. Priebe Co.), paid through its agent, J. P. Quick, 45 cents a dozen for eggs and 20 cents a pound for hens at Dalton, Mo., where there were no competitive buyers, while at Carrollton, Mo., and at Hardin, Mo. (through its agent, W. A. Templeton), where there are independent buyers, Stamper paid 54 cents a dozen for eggs and 24½ cents a pound for hens. This testimony was confirmed by T. A. Buchanan, a produce dealer of Hardin, Mo.

The following letter from F. M. Stamper to W. F. Priebe indicates that local price discrimination in buying is a common practice with Stamper:

AUGUST 15, 1917.

Mr. W. F. PRIEBE, *Chicago, Ill.*

DEAR SIR: I have been up in the western part of the State the last few days. Had to go to Richmond to see the prosecuting attorney, as those fellows are just about to start action about us paying different prices at Hardin and Norborne. Don't amount to anything—just one of those aggravating cases gotten up by complaints of little competition. Am going back to Carrollton to-morrow or next day, as I am trying to straighten out this Carrollton proposition, and will probably stay up there the remainder of the week. Will run up to Macon this afternoon, as the board has a meeting there.

Yours, very truly,

F. M. STAMPER.

Local price discrimination is a general practice with the big packers throughout the producing territory as shown by the statements of independent poultry and egg dealers.

H. Morgan Co., of Cleveland, Ohio, states that:

"Swift, Armour, and other packers have monopolized buying of butter, eggs, etc., forcing up prices when we try to compete to prohibitive levels, and reducing price unreasonably as soon as we are driven out of the competition."

Arthur Franz, of St. Louis, Mo., who buys poultry in the producing areas, said to an agent of the commission:

"When the packers get ready to buy they get the poultry regardless of the price they have to pay."

Chabrow Bros., of Philadelphia, independent egg dealers, state that Swift & Co. and other packers are bidding up the price or overbidding them, especially in the spring, when eggs are being placed in storage.

W. A. Tuttle, a produce dealer at Buffalo, N. Y., said to an agent of the commission:

"The packers at present are going to shippers and are paying so much for poultry that the shipper can get more by selling locally to the meat packer, who ships the poultry to this plant and dresses same, than by shipping to Buffalo."

The following extract from a letter of June 26, 1916, by F. S. Hayward to Edward F. Swift in reference to competition in the produce business at Cadillac, Mich., shows with complete frankness the method and power of the big packers to bring local competitors to terms:

"The first year we would probably have to operate at a loss, but while we were doing this the probabilities are that the other people would be losing more than we would, and we think in the course of time this would bring them around to a reasonable view of the matter."

Bogus independents.—Comparatively few of the buying stations controlled by the big packers are run under their own names, as is shown by Exhibit VII. Most of them are operated under the names of the local managers or of subsidiary or allied companies whose connections with the big packers are unknown to producers or to local competitors. This enables the packers to practice local price discrimination and other unfair methods of competition without the knowledge of their competitors.

Through these bogus firms the big packers secure poultry and eggs from dealers who would not otherwise sell them. Through them they also secure knowledge of their competitors' business, particularly the prices at which they offer to sell.

In many cases if country dealers do not favor the packers by selling them, the latter will put a dealer in the territory who will favor them, as indicated by the following letter of H. B. Collins to L. E. Dunker, of Swift & Co.:

MAY 31, 1916.

Messrs. L. E. DUNKER and J. Y. MARSHALL,
Produce dealers:

"Think we should instruct our managers, where there is not a good reliable produce dealer that favors us with their product, that we try to grow or make a produce dealer in each town in our territory."

Misbranding and adulteration.—Misbranding of poultry products on the part of the big packers may go as far as actual adulteration, as shown by cases tried by the inspectors of the Bureau of Chemistry of the Department of Agriculture.

The Swift produce department detected misbranding of poultry by Armour & Co., as shown by the following letters:

APRIL 21, 1913.

Mr. CHARLES H. SWIFT,
Office:

The writer was in Philadelphia some few days ago, and one of our branch houses, Dock Street, had just purchased some frozen poultry of Armour & Co.

The stock consisted of some No. 1 fowl (old birds not fatted), but they were marked "English Fatted Surrey," and each bird had a celluloid tag attached to the leg reading "Armour's Helmet Fatted Poultry."

Other of the boxes were marked "Armour's Helmet Fatted Poultry," and contained No. 2 quality fowls (old birds not fatted).

The placing of tags and these high-sounding names on poultry of this class do not indicate very good handling.

H. B. COLLINS.

Copy to Mr. Louis F. Swift, fourth floor; Mr. A. D. White, advertising department.

Mr. WELD. Since you are going to insert stuff on the butter business, let us insert a few pages from our "Analysis and Criticism."

(The matter referred to and submitted by Mr. Weld from Swift & Co.'s Analysis and Criticism of Part II of the report of the Federal Trade Commission on the meat packing industry is here printed in full, as follows:)

ALLEGED COLLUSION IN CHEESE BUSINESS.

None of the correspondence introduced by the Federal Trade Commission on this subject was taken from the files of Swift & Co., and this company is not concerned to any great extent. It is true that the large packers together handle a considerable proportion of the cheese business of the United States, but the figures presented by the Federal Trade Commission on page 134 of the report exaggerate their "dominant position" in the cheese market of the Nation. The total production of cheese in 1918 appears to have been about 420,000,000 pounds (Standard Farm Paper Year Book, 1918-19), and according to estimates furnished us by the Bureau of Markets, United States Department of Agriculture, about 92 per cent of this entered trade channels. This means that about 385,000,000 pounds of cheese were traded in during 1918. Swift & Co. handled less than one-sixth of this total.

At the top of page 135 of the report, the firm of Pauly & Pauly is listed as a "packer-controlled" firm, because this firm sells 80 per cent of its output to Swift & Co. It is true that we buy very heavily of this concern, with whom we have had very satisfactory relations; but it is not true in any sense that this firm is controlled by Swift & Co. The alleged control of this firm is made use of by the Federal Trade Commission in an attempt to show collusion between Armour & Co. and Swift & Co., by introducing into the reproduction of a letter from Armour & Co.'s files (bottom page 135 of the report), a parenthetical remark which was not in the original letter. This point is mentioned merely as an illustration of the methods used by the Trade Commission to imply collusion. Such implications have the force and effect of absolute assertions in the minds of many readers of Government documents.

In connection with this cheese business, Swift & Co. also wishes to state that we buy over 90 per cent of our Wisconsin cheese purchases from wholesale dealers, in whom we have no financial interest, and that we buy the remainder direct from cheese factories, none of which we own. We buy no cheese on the cheese boards in that State. We have never tried to affect the quotations on the cheese boards, and we have no agreements or conspiracies with other packers or dealers to affect cheese quotations or to divide territory in any way whatsoever.

ALLIED AGREEMENTS IN CREAMERY AND BUTTER INDUSTRY.

The Federal Trade Commission claims that there is a division big packers in the buying of cream, which is used for making butter, and that there are price agreements among the local buyers and agents of the packers who gather cream at country points for shipment to our butter factories.

In support of the first claim, the Trade Commission says that out of 1,561 creameries, condensaries, and cream stations, reported to the commission, 1,262 belong to Swift and 293 to Armour, and that "there are only 29 towns where cream-buying stations of two or more packer groups are located." This is supposed to imply a division of territory.

In the first place it should be noted that the number of Armour cream-buying stations is very small as compared with the number of Swift stations. These cream-buying stations are located principally at small country points, and there are tens of thousands of such at points where the packers might have representatives to buy cream. It is only natural that in developing a system of cream-buying stations, one packer should prefer not to establish a buying agency at the same shipping point where another packer has already become established, especially when there are so many thousands of places that may be selected. That Swift and Armour are both represented in only 29 towns, especially when Armour is located at only 293 places in all, can not possibly be considered evidence that there is an agreement to divide territory.

Furthermore, Swift & Co.'s method of assembling produce is substantially different from that employed by the other packers. We rely largely on our own country plants, which collect, prepare, and ship these products; the other packers buy more heavily from other dealers. This in itself indicates that it would be practically impossible to divide territory; and as a matter of fact, Swift & Co. has no agreement with other packers for this purpose.

As for the question of agreement among local cream buyers, this matter requires preliminary explanation before the correspondence introduced by the Trade Commission can be properly understood. In obtaining cream at country points, Swift & Co. employs agents who assemble the cream brought in by surrounding farmers and ship it to Swift & Co., receiving a commission for their services. These agents are men who are generally in other lines of business. They are often proprietors of local stores, or they may be cash buyers of poultry and eggs on their own account, who are acting as agents for Swift & Co. only in the purchase of cream on a commission basis.

In many cases there are two or more such cream buyers in a single town, and there are also cream buyers at shipping points within a radius of ten or fifteen miles, to any of which the farmers may haul their cream, depending on the prices offered by these different cream buyers.

It is perfectly obvious that the prices paid by competing cream buyers in the same town or in the same general locality must be substantially, if not exactly, the same; otherwise, the buyer who offers, say, 1 cent less per pound for butter fat, will get no business, and he has to fall in line with his competitors in order to hold his trade. On the other hand, if his price is too high, he gets the business but loses the money on it. Because of this situation, it has always been very common for competing cream buyers to keep themselves informed as to the prices their competitors are paying.

This was the situation which confronted Swift & Co. when it entered the business, and is the situation it has had to contend with in the development of local cream buying stations. We have employed agents who are representatives of Swift & Co. only in the sense that they receive a commission for such cream as they gather and ship to us; they have always been in the habit of keeping themselves posted as to prices paid for cream by other buyers in the same town or near-by towns; and in the very nature of the case, the prices offered by these local cream buyers must be, and necessarily will be, substantially identical, even though the buyers are severe and jealous competitors of each other. One other complicated feature of the situation is that some states have "anti-discrimination laws," which prohibit one company from paying different prices for cream or other products at different points within the State, except as differences are justified or made necessary by differences in transportation rates. The object of such legislation is to prevent price cutting on single localities for the purpose of driving competitors out of business.

We have therefore been up against the problem of preventing price agreements in localities where prices are bound to be practically the same, even if there is no agreement, and at the same time of preventing differences in prices in different localities, as required by State laws, except as such differences are justified by transportation rates or are necessary to meet competition.

A careful analysis of the correspondence introduced (pp. 147 to 154 of the report) shows the difficulties we have met in dealing with this situation, and shows at the same time the positive efforts we have made to prevent local price agreements among our country cream buyers. The matter is written up in such a way by the Federal Trade Commission as to imply that we are consciously having our agents enter into agreements with competitors, and that we are trying to cover up the matter by admonishing and instructing our agents to be careful in the phraseology of their correspondence. In this connection, the Trade Commission has failed to reproduce certain letters that it took from our files which more clearly define our real attitude and policy than any other of those which are actually reproduced in the report.

As an example of the Trade Commission's unfairness in this respect, it failed to reproduce the following positive instructions that were issued to our representatives on February 15, 1915, copy of which was available to the commission, and which shows our definite attempts to prevent price agreements. Similar instructions were issued from time to time.

"No. 331. Legal buying.

"FEBRUARY 15, 1915.

"PRODUCE INSTRUCTIONS.

"1. **Managers should keep in mind the fact that buying prices and selling prices should be based on value, taking into consideration quality, freight rates, and competitive conditions.**

"Attention is directed to the so-called antidiscrimination laws under which uniform prices must be paid. While these are construed to permit variations to meet legitimate competition, the conditions must be extreme to induce managers to make such variations.

"2. Managers must not, under any circumstances, enter into any agreements, verbal or written, restricting competition in any manner, or dividing territory with competitors, or in any manner threatening or seeming to threaten shippers. Any acts that might be so construed should be avoided.

"3. Anything that might tend to affect the company from a legal standpoint should be called to the attention of the produce and legal departments, with all the facts that can be gathered concerning them."

Another evidence of the unfairness with which the Trade Commission handled this matter is shown by the method in which general instructions issued by Mr. L. F. Swift, ordering compliance with the old Supreme Court injunction of 1903, are introduced at the bottom of page 149 of the report. This incident is explained as though it were a special precaution taken by Mr. Swift at the time of the introduction of resolutions in Congress calling for an investigation of the packing industry. As a matter of fact, these instructions, based on the 1903 injunction, have been issued periodically by Mr. Swift to all heads of departments at intervals of about — months for many years. This matter was explained and the instructions reproduced on pages 11 to 12 above.

An attempt is also made, as on page 150 of the report, to intimate that auditors have been employed merely for the purpose of going about among our agents in order to destroy the incriminating evidence. The truth is that one of the duties of our traveling auditors has been to check up the operations and correspondence of our representatives in order to prevent the actual occurrence of collusive practices. This is clearly shown by the letters reproduced at the bottom of pages 148 and 151 of the report.

It is also significant that in reproducing the letter of March 9, 1916, on page 151 of the report, the Federal Trade Commission failed to reproduce the following letter of April 3, which was written by the head of our produce department to two submanagers in the department, which again explains our attitude and efforts, and copy of which was actually taken from our files by the Federal Trade Commission.

"APRIL 3, 1916.

"QUESTION OF MAKING AGREEMENTS WITH OTHER PRODUCE DEALERS.

"Messrs. J. Y. MARSHAL and L. L. DUNKER:

"Want you to take up especially with each manager, assistant manager you visit the question of making agreement of any character.

"You fully understand our requirements in this matter. The managers are all under instructions from Mr. L. F. Swift covering the matter. We desire you to further handle as follows:

"Explain to them clearly that they have been thoroughly instructed in this matter and any deviation from these instructions will revert against them in person.

"You are to thoroughly and clearly explain to them that if for any reason they have a conversation with any other dealers, they are not to make any statements of any character that could be construed as an agreement and unless this is fully understood by them and unless this is followed to the letter, we shall find it necessary to instruct them that no conversations of any character are to be had with any other dealers that touch any feature of the produce business.

"You are to make a definite memorandum of this conversation with each of these managers, showing the date thereon and hold same in your files as permanent record and responsibility is placed with you to see that interview of this character is had with every manager of the produce plants under your direction, within reasonable time."

It will be seen that in this letter the manager of our produce department said that it might be necessary to instruct our agents not to hold "conversations of any character * * * with any other dealers that touch any feature of the produce business." That is to say, we were trying so definitely to prevent our agents from entering into price agreements that we were thinking of instructing them not even to talk with other dealers about the produce business. Again, on page 147 of the report, the Trade Commission introduces a letter written to Mr. H. B. Collins on September 10, 1915, but fails to reproduce the reply written by Mr. Collins on September 20, copy of which was taken from the files by the Federal Trade Commission and which clearly explains our attitude.

SEPTEMBER 20, 1915.

Mr. R. C. McMANUS,
Legal Department.

Answering your letter of September 10: I may be mistaken, but I do not believe there is anything about these letters that proves clearly illegal.

In conclusion, it is obvious from the foregoing discussion that the Federal Trade Commission not only misrepresented the facts with regard to the cream buying situation at country points but that it also actually suppressed pertinent and relevant correspondence which it took from our files. The insinuation which carries the weight of positive assertion in the minds of those who do not understand the matter is that Swift & Co. was sanctioning local price agreements, whereas a true interpretation of the correspondence reproduced in the commission's report, and especially of the correspondence which the Trade Commission failed to reproduce, shows that Swift & Co. was doing its best to prevent illegal price agreements. Swift & Co. doubts if any other concern has made such definite efforts to cope with this difficult situation.

(The remainder of the testimony of Wednesday, March 24, is printed in the part following this—Part 26.)

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MEAT-PACKER LEGISLATION

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

MEAT-PACKER LEGISLATION

WEDNESDAY, MARCH 24, 1920 (RESUMED)

PART 26

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

166762

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

GILBERT N. HAUGEN, Iowa, *Chairman*.

JAMES C. McLAUGHLIN, Michigan.
SYDNEY ANDERSON, Minnesota.
WILLIAM W. WILSON, Illinois.
CHARLES B. WARD, New York.
WILLIAM B. McKINLEY, Illinois.
ELIJAH C. HUTCHINSON, New Jersey.
FRED S. PURNELL, Indiana.
EDWARD VOIGT, Wisconsin.
MELVIN O. McLAUGHLIN, Nebraska.
CARL W. RIDDICK, Montana.
J. N. TINCHER, Kansas.
WILLIS J. HULINGS, Pennsylvania.
J. KUHIO KALANIANAOLE, Hawaii.

GORDON LEE, Georgia.
EZEKIEL S. CANDLER, Mississippi.
J. THOMAS HEFLIN, Alabama.
THOMAS L. RUBEY, Missouri.
JAMES YOUNG, Texas.
H. M. JACOWAY, Arkansas.
JOHN V. LESHER, Pennsylvania.
JOHN W. RAINEY, Illinois.

L. G. HAUGEN, *Clerk*.

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MEAT-PACKER LEGISLATION.

Committee on Agriculture,
House of Representatives,
Friday, March 24, 1920.

The committee met, Hon. Gilbert N. Haugen (chairman) presiding, and resumed the hearings.

The Chairman. You may proceed, Mr. Weld.

STATEMENT OF MR. L. D. H. WELD, MANAGER COMMERCIAL RESEARCH DEPARTMENT, SWIFT & CO., CHICAGO, ILL.—Resumed.

Mr. Weld. Yesterday afternoon I was analyzing some of the testimony given by Mr. Colver before this committee, and I showed that the chart exhibiting the price of pork loins as compared with the price of live hogs was entirely unfair, that the same was true of the chart showing the relation between the price of live lambs and dressed lambs; I also showed that Mr. Colver's advice that the packers be allowed to continue in the tanning business was not in consonance with the report of the Federal Trade Commission itself in its report on the leather and shoe industry where it was said that some way should be found to divorce the tanning industry from the production of hides. I also showed that Mr. Colver said that the Federal Trade Commission had found no reason to change its recommendation, that his recommendation now apparently does not include the original recommendation of the Federal Trade Commission that the branch houses and cold-storage houses of the packers be taken over by the Government, and be operated by the Government as public markets, a recommendation of which we hear practically nothing, although it is in the summary of the Federal Trade Commission's report.

I want to take up the charge that the large packers are driving the small packers out of business through the use of unfair methods.

You will remember when the committee tried to pin Mr. Colver down as to specific examples of small packers being driven out of business, he referred to the Hurni plant at Sioux City as a typical case. I believe he was unable to give another case where a small packer had been driven out of business. I might suggest that this matter is treated in the Federal Trade Commission's report in Part 1, pages 486 to 488, about two pages of testimony which show the complaints of the small butchers. I would suggest that if you care to examine the two pages you will not find a single bit of positive evidence of unfair methods being employed against small packers, and I think you can not but be impressed with the paucity of the least three times as much as Herni had ever done and the increased business would practically all be carloads, so in view of this increased business the city council was asked to pass an ordinance allowing a track to be built on Chambers Street to this property. The council still objected to having the track run lengthwise of Chambers Street, but passed an ordinance allowing the track to cross Chambers Street, and the track was built in accordance therewith. After it crosses Chambers Street, the track comes south on the property of the stockyards company until it reaches the Swift plant, when for a few car lengths it runs again on the street, occupying that part of the street which might otherwise be used as a sidewalk, although it was never so used. In 1918 Swift & Co. had in and out 742 carloads, which shows the necessity for the sidetrack under present conditions.

I have stated that Mr. Herni had not been in good health for some years. He had been away for treatment a number of times and was evidently in much worse condition than any of us suspected, for he died a few months after he sold out his property to the stockyards company. It was evident then that he realized his own condition and had been anxious to sell his property in a cash trade so that his affairs could more easily be closed up.

The Herni packing plant is so situated that it can not be materially enlarged, nor can it be used as the nucleus of a large plant. Most of the buildings are old, and if the plant is to be continued as a packing plant it will have to be very largely rebuilt within a few years.

Yours, very truly,

F. L. EATON,
President and General Manager.

Mr. WELD. You will remember that the Hurni plant was a small plant at Sioux City, which was bought out by the stockyards company there and leased to Swift & Co. This correspondence shows, first, that the stockyards company had previously on two different occasions sold additional lands to Hurni to allow him to extend his plant and facilities. With regard to the gateway that Hurni asked for into his plant from the stockyards, which it is said the stockyards company refused to furnish, it appears that there was an alleyway adjoining Mr. Hurni's property and that the title to this alleyway was in dispute, and that the stockyards company had been using this alleyway some years and considered it its own property. One night, during the night, Mr. Hurni built a fence through the middle of this alley and he later put a shed over the fenced in portion of the alley. The stockyards company protested, but began no action to oust Mr. Hurni, hoping that the matter could be adjusted before he could secure adverse title by possession. Then Mr. Hurni asked that a gate be put through the fence which he had built one night, through the middle of this fence, and the stockyards company refused on the ground that if they agreed it would be accepting Mr. Hurni's claim as to his possession of the alley or at least might be construed that way or count against the stockyards company if there should be any litigation.

The stockyard company repeatedly told Mr. Hurni that if he would put a fence on his side of the alley the stockyards company would join in building a gate. This Mr. Hurni refused to do. As a matter of fact, Mr. Hurni bought most of his live stock anyway from farmers outside of the yards and even what little stuff he bought in the yards it had, most of it, to be driven only a few rods further by not having this gateway built through the fence on the property to which the title was in dispute.

Mr. MCLAUGHLIN of Michigan. A few rods farther was through the principal streets where the street cars and automobiles were?

Mr. WELD. I think it had to be driven through the street; I am not sure of that.

Mr. CHAPLIN. It had to be driven through the street. I do not know about the street cars.

Mr. ANDERSON. This matter you have been just stating, is that new matter, never appearing in the record before?

Mr. WELD. No; it is in the record.

Mr. ANDERSON. Where?

Mr. WELD. In the letter.

Mr. ANDERSON. I think not in just the way you have stated it?

Mr. WELD. I have tried to state it correctly, Mr. Anderson.

Mr. ANDERSON. I have read this a good many times, but I do not recall the statement about this fence.

Mr. WELD. I can assure you, Mr. Anderson, that it is there.

Mr. ANDERSON. In just that form?

Mr. WELD. Yes, sir; I think so.

Mr. ANDERSON. Yes; I find it here in the letter to which you have referred.

Mr. WELD. I think you will find it exactly as I have stated it.

As for the railroad siding, Mr. Hurni sold most of his stuff locally and had very few cars to ship.

Mr. MCLAUGHLIN of Michigan. Have you the proportion of his local and other sales?

Mr. WELD. No, sir; I have not. As I remember it, he was shipping only a couple of cars a week. I am not entirely sure on that point.

When he first wanted a track built to his plant he applied to the State Railroad Commission, which decided that a track could not be placed where Mr. Hurni wanted it. At that time the Terminal Railroad—I do not know whether that is a part of the stockyards company or some interest; I guess separately incorporated—offered to put in the track if Mr. Hurni would furnish the right of way on his own property, but he refused to do this. He wanted it along the street, the main highway from Sioux City to the stockyards. Later he applied to the City Council of Sioux City and was again refused. Then, when Swift & Co. occupied the plant, Swift & Co. asked for a right of way the same as Mr. Hurni had, but promised a much larger business and showed the absolute need of such facility, because Swift & Co. intended to do a shipping business rather than a local business primarily. This the city council refused to allow; that is, with the track on the street, and got Swift & Co. to let it pass over its own property, which Swift & Co. agreed to, and then the permit was granted. It came along the Swift & Co. property, which had been the Hurni property, instead of along the street, except when it got over in front of the plant, where it came along what would have been the sidewalk to the approach and loading platform of the plant. Finally, the record shows that Hurni had started with nothing and had built up a profitable business and had become well to do; he was getting old and in poor health and wanted to sell his plant. He was in no way forced to do so. The stockyards company bought the property for $162,000, the property being in what we would consider poor condition. Swift & Co. leased the property from the stockyards company to run it temporarily until a modern plant could be built.

Mr. McLaughlin of Michigan. It was represented to us that this railroad or sidetrack that the local packer wished was refused him and later, when the purchaser acquired the property, it was built on the location and just in the condition in which the former owner wanted it?

Mr. Weld. No, sir.

Mr. McLaughlin of Michigan. You say that he asked for it in the street and it was later built on adjoining private property?

Mr. Weld. Yes, sir. The Terminal Railroad Co. had offered to build it for Hurni previously to this request of the city council if he would furnish the right of way and have it on his property.

Mr. Anderson. In connection with the question asked by Mr. McLaughlin, of Michigan, I want to read a letter addressed to Mr. L. F. Swift, under date of Sioux City, Iowa, July 13, 1917, because there seems to have been a reason why this right of way was granted in a different place than Mr. Hurni had originally asked for it. The letter reads as follows:

> Dear Sir: Regarding the tracks at the Herni packing house, we asked the council to pass an ordinance giving us the right for that track and also give us the necessary rights of way for the total track changes which we anticipate. We had a meeting with the council and discussed the matter, and they seemed ready to grant everything we wanted and just as we asked except the track to the packing house.

This is what I wish to call your attention to particularly [reading]:

> The mayor had opposed granting the track to Herni, and feels that to grant it to us now would make him liable to censure; therefore he asks us to change the location of the track north of the packing house and swing it 14 feet west of the proposed line, which carries it into the stockyards property and off the street for about 400 feet. It makes a slight reverse curve and is not as good for us as to run it straight down the side of the street.

That is where Mr. Hurni wanted it. [Continuing reading]:

> One member of the council, who was rather disposed to side with the mayor, said he would like to know the feeling of the Live Stock Exchange, so at the meeting yesterday the matter was laid over until to-morrow (Saturday) when it will be taken up again, and in the meantime I have a resolution from the Live Stock Exchange and a petition signed by about 90 men doing business at the yards, asking the council to grant this right of way just as we asked for. We can get the right of way as the mayor outlines without any question, and may have to take that, although we will try to get exactly what we want so long as there seems to be the possibility of doing so.

Mr. Weld. May I comment on that?

Mr. Anderson. Surely.

Mr. Weld. That shows that Swift & Co. did try to get the right of way the same as Hurni had tried to get it and, of course, you can understand that there were much more important reasons why it should have been granted to Swift & Co. than to Hurni, because of the greater volume of business, but in spite of our request, as Mr. Eaton says there and the use of every effort to get it on the highway, because of the objection of the mayor it was not so granted, and was put on private property.

Mr. Anderson. Have there been any extensions of the Hurni plant since Swift & Co. became the owners?

Mr. Weld. I think not. That property is not large enough for a big modern plant. It has been our intention to ultimately build a new modern plant.

Mr. **Anderson.** Was there any increase in business to justify the granting of these rights which were refused to Hurni which would make necessary any increase in the size of the plant?

Mr. **Weld.** With the same output of Hurni with our business it would require much greater shipping facilities, we do not do the kind of peddling among the local butchers that Herni did, we ship most of our stuff.

Mr. **Chaplin.** We have spent a good deal of money there.

Mr. **Anderson.** Of course, Mr. Hurni could not depend on shipping very much so long as the council and the railroad commission refused to grant him the facilities which were necessary to accomplish that extension. The very fact that they did not grant it to him and did grant it to you shows a discrimination which accounts for his inability to extend his business.

Mr. **Weld.** No; because Hurni could have had the track when Swift & Co. finally got it, at any time.

Mr. **Chaplin.** We have spent a great deal of money in increasing the capacity of the plant.

Mr. **Weld.** That is a typical instance of the large packer's spirit of putting the small packer out of business, the only one given to the committee.

Mr. **Marsh.** I should like to ask Mr. Weld whether he thinks it is for the best interests of the country, even though the big packers may not have driven a great many small packers out of business, to have a condition where they can do so at will.

Mr. **Weld.** I do not think that it is a good condition if they can drive the small packers out of business by any unfair methods. If they can supersede the small packers by a little efficiency and ability; yes, sir; and if there is still plenty of room, as there is in this country, and as the evidence bears out, for the small packers.

Mr. **Marsh.** Does the small packer have the same amount of credit the big packer does?

Mr. **Weld.** Yes, sir; the same. If he has good credit and standing, has a good character, and does an efficient business he has no difficulty in borrowing money from the banks and he is not hampered in any way by the large packers in borrowing money, if that is what you are driving at.

Mr. **Marsh.** No; it is not.

Mr. **McLaughlin** of Michigan. This was agreed to, Mr. Marsh, last night, perhaps in your absence, that a witness should be permitted to proceed without interruption, but an agreement was reached by which he was to submit to questions on the particular point that he was covering at the time, but that questions should not be asked to extend the inquiry beyond the particular matter with which he was dealing at the time. If you will kindly confine your questions to the particular matter under discussion there will be no objection; otherwise the chair will have to enforce the rule. With that understanding you may proceed.

Mr. **Marsh.** Do you mean to say that the little man has the same access to the big financial resources of America as the packer with a capitalization of two hundred and odd million dollars?

Mr. **Weld.** He has no need of going to the banks all over the country. Swift & Co., at times when the market is in bad shape and we have not enough money to finance our operations, we have to borrow money from banks practically over the whole country. Of course, there is no need on the part of the small packer for doing that. Generally he can rely more on the local facilities.

Mr. MARSH. You admit that the credit all over the country is controlled by a few financial concerns?

Mr. WELD. No, sir; I do not.

Mr. MARSH. Of course, that is generally admitted by people not in the position you are. May I ask you this question: Do you think that, whether or not the big packers have put many small packers out of business, has much to do with the pending legislation, has anything to do, in fact, with the pending legislation?

Mr. WELD. Do I think that the attempt to put the small packers out of business has anything to do with the pending legislation?

Mr. MARSH. Yes, sir.

Mr. WELD. I think that the statements by the Federal Trade Commission to that effect have rather an important bearing on this whole question of legislation, yes. I think its allegation that the small packer has not as good an opportunity as he ought to have and that the large packer has interfered to prevent the growth of the small packer—I think that is one object of this legislation, to create an equal opportunity, which we claim and know already exists.

Mr. MARSH. Would you approve of any legislation which would put the small packer more nearly on the same basis with the big packer?

Mr. WELD. I would approve only the general legislation which I think we have already in the matter of unfair competition, and so forth.

Mr. MARSH. As I understand, you are not opposing all the legislation pending?

Mr. WELD. You have no right to draw any such conclusion.

Mr. HUTCHINSON. May I ask you a question right on that line?

Mr. WELD. Certainly.

Mr. HUTCHINSON. Do I understand that if this bill should be passed and there should be a commission appointed that the big packers could comply with the rules and regulations better than the small packers?

Mr. WELD. I have heard some of the small packers express the feeling that they thought such legislation would do the small packers more harm than the large packers. The small packers are all, of course, opposed to this legislation. A good many of them have appeared here and many more appeared at the hearings of the Senate committee last summer and the hearings of the House committee last winter. I do not know whether that answers your question or not.

Mr. HUTCHINSON. That is along the same line that I have in mind. The rules and regulations with regard to grain put thousands of small millers out of business.

Mr. TINCHER. You say they did?

Mr. HUTCHINSON. Yes, sir.

Mr. ANDERSON. I wish you would put into the record a list of the small millers who were put out of business by the regulations.

Mr. WELD. You mean during the last summer?

Mr. ANDERSON. I think they are just about as scarce as the small packers who have been put out of business.

Mr. WELD. Bearing on that same question was the sensational statement that out of 280 inspected packing houses that existed in 1910 there were only 237 left in 1919, and according to Mr. Colver's statement only 140 had lived through, and that one had been dropping out every 90 days. Of course, one every 90 days is only four a year, which does not appear so remarkable after all. This he gave as though it would prove that the small packers were being driven out of business by the unfair methods of the larger packers. I say that these figures on the decrease in the number of inspected houses mean absolutely nothing, and for the following reasons:

First, that is no evidence that unfair methods have been used by the large packers to drive the small packers out of business.

Second, the testimony of the small packers themselves is that the large packers are fair in their competition and that they have nothing to complain of.

Third, the fact developed by the Federal Trade Commission itself that many of the small packers have been making as much and even more profit than the large packers, and——

Mr. MCLAUGHLIN of Michigan. The percentage of profit on capital?

Mr. WELD. Yes, sir. I have already explained why that is so; that is, why that may well be, they are not at all comparable with the large packers in the point of service rendered or expense necessarily involved.

Fourth, that this experience in the packing industry is no different from what is occurring all the time in other industries. New concerns are constantly springing up and there are constant failures in all trades and all industries.

Mr. TINCHER. Do you know anything about the packing house at Amarillo, Tex.?

Mr. WELD. I know nothing about it at all.

Mr. TINCHER. Do you know why the packing house at Hutchinson, Kans., an independent packing house, has failed at least four times in the last five years, has changed hands, and has been closed most of the time?

Mr. WELD. I know nothing about that particularly.

Mr. TINCHER. I do not know either, except that they lay their condition to the big packers, there must be some reason.

Mr. WELD. I can answer that question in general terms by saying that nine out of ten packing houses located out in the country are likely to fail, because they have not the distributing facilities to be able to get rid of the stuff efficiently and economically and in good condition.

Mr. TINCHER. What do you mean by distributing facilities?

Mr. WELD. I mean the lack principally of branch houses, refrigerator cars and branch houses, and that means the personnel of the sales organization and the established trade it is difficult to build up in competition with the large packers, who are competing with each other and the scores of small packers which you find selling in the larger consuming centers of the East. Unless such a concern as that at Hutchinson is linked up with a large concern that has distributing facilities, nine out of ten times it is bound to fail.

Mr. **Tincher**. There is a good packing plant there which has changed hands, according to my recollection, in the last five years about four times, due to financial distress in each instance. It is located right in the midst of the country where they could get the stuff.

Mr. **Weld**. Yes, sir. If the large packers took it over, they would immediately make available a widespread outlet, having a selling organization to reach the markets.

Mr. **Tincher**. I remember in the summer of 1918 there was no particular financial depression in the country, that those boys tried to borrow $50,000 when they had assets of something like $750,000.

Mr. **Weld**. Perhaps there was a lack of confidence on the part of the bankers who were asked for credit as to the ability of the packing house to market its stuff successfully and get the price out of it.

Mr. **Tincher**. I know that I tried to help them. I found a place where they might have had plenty of money to lend and I told them about it and they went there. That was the only evidence I ever had of the packers' control of the banks. The banks they went to—the officials simply smiled and said that they did not have any money.

Mr. **Weld**. You mean that it was due to the influence of the large packers that they did not get the money?

Mr. **Tincher**. I do not know. The bank was very friendly to the large packers and were against any legislation.

Mr. **Weld**. That is true of many bankers, because we are in close touch with them and they are loaning us money all the time.

Mr. **Tincher**. As I recall, instead of going through bankruptcy proceedings, they sold to another concern and it has been sold this winter again. It has not been operating practically any of the time.

Mr. **Weld**. I think the principal reason why such packing plants located out in the producing sections—that is, nine out of ten of them—are practically bound to fail, is that they have not the necessary sales machinery. There are other reasons, the inability of a plant in a producing section to utilize the by-products as fully as we use them in the big centers where we have active competition, big production, and everything; and then the lack of railroad communication, shipping facilities, etc., are also important reasons.

Mr. **Tincher**. Cutting out the objectionable conclusions of the Federal Trade Commission and their statements, is it true that it is impracticable for a small concern to operate a packing plant in a producing section?

Mr. **Weld**. That development can not go very far; it is possible to a certain extent.

Mr. **Tincher**. I did not say impossible, but impracticable under existing conditions.

Mr. **Weld**. The chances are against it in a producing section.

Mr. **Chaplin**. I think the important thing is competent management. I think there is no business in the world that requires competent management as much as the small packing house.

Mr. **Tincher**. Whether the large packers put them out of business is immaterial, it is impracticable for them to operate?

Mr. **Chaplin**. It is all a question of competent management. Men in the packing business know that there are a hundred and one places where they can lose money. There is no business where they can lose money faster than in the packing business. There are a hundred and one places all through the plant, all through the handling of the meat and the selling of it. The business needs experts, it needs men of a great deal of experience and a great deal of ability to make it a go. That is where most of the small plants fail, because they have not competent management.

Mr. MARSH. Do you remember that Commissioner Colver said that the big packers had several hundred thousand dollars or a million dollars borrowed from the big banks without any security. In your judgment can the little packer do that?

Mr. WELD. I think so. It has to be done right along, all the time, if his name is good, if his credit is good, if they have confidence in him; the security, of course, is the goods on hand and in the packing plant.

Mr. MARSH. You recall that Mr. Harry A. Wheeler denied that he was connected with any packer banks—while he was with the Union Trust Co. of Chicago—one, you remember, of the long list of packer-controlled banks?

Mr. WELD. The so-called packer-controlled banks are very few in number, and in the list furnished by the Federal Trade Commission every little bank in which any one of the packers had some stock was listed as a packer-controlled bank. There are certain large banks in which Mr. Armour and Mr. Swift and some of the other packers are heavily interested, but they are very few in number. It is absolutely absurd to talk about a packer-controlled bank system of the country or the fact that they control any banks in any such way as to make it possible to get credit where other people can not. That is really one of the unfair things that the Federal Trade Commission tried to make a point of.

Mr. MARSH. I will not take the time of the committee to read this, but I should like to ask permission to file about four pages of the hearing before the Senate committee giving a list of these banks as packer-controlled banks.

Mr. WELD. From the report of the Federal Trade Commission?

Mr. MARSH. Yes, sir.

Mr. WELD. That is already a part of the record.

Mr. MCLAUGHLIN of Michigan. If it is already in the testimony taken by another committe or is included in the report of the Federal Trade Commission there may be some reason for inserting it here, but I can not see it.

Mr. MARSH. I will make a very brief summary, if that is agreeable to you.

Mr. WELD. You spoke of better facilities which the big packers have for distributing products, both as to branch houses and refrigerator cars.

Mr. WELD. Yes, sir.

Mr. MARSH. Do you not consider that there should be more packing plants, small ones, established nearer the sources of supply to avoid the tremendous shrinkage, which amounts in some ordinary hauls to $5 per head?

Mr. WELD. I think probably the present organization is as good as one could expect. We are constantly spreading out into the producing sections just as fast as conditions warrant. We have experts studying that problem all the time so as to bring about the most economical way of assembling live stock, turning them into meat products, and distributing those meat products.

Mr. MARSH. There is a waste of 10 per cent or 12 per cent or 13 per cent of weight according to the length of the haul, is there not?

Mr. WELD. Oh, no; that is not true. That is absurd.

Mr. TINCHER. That introduces a question I suppose we are all interested in, and that is that the packer should not buy an animal that had shrunk, or weigh them then, but should buy them at full weight. It is a fair question whether it is not better for the producer if we could get on the basis of the packer taking all of the animals with shrinkage. How about that?

Mr. CHAPLIN. I think the buyers would size them up. It is immaterial as to that.

Mr. WELD. That is all taken into consideration in the bidding.

Mr. TINCHER. I think one of the packers testified before the committee that he established a policy of taking them with the shrink.

Mr. CHAPLIN. He would pay a higher price then, but really it would not mean that he was paying any higher price per pound of meat.

Mr. ANDERSON. I understood you to say, Mr. Weld, that you were spreading out into the producing sections of the country as fast as they developed. I understand by that that you mean as your experts determine there is a development of live stock in a certain section, or that live stock can be developed in a certain section in sufficient numbers to warrant the establishment of a packing plant, that you are setting yourselves up there so as to be able to take care of the business?

Mr. WELD. That has been the history of the business. That is why we went to Fort Worth, and why two companies went to Oklahoma City, where they had difficulty getting enough live stock to run their plants efficiently, and had to ship from some other markets. That is why we went to Alabama and Georgia in the last few years.

Mr. MARSH. Have you made any study of the total waste to the people, which you well know is the final test of a system, to see whether you are efficient in not starting more packing plants, which, with the pending legislation enacted, independent and cooperative companies want to establish; that is, producers' cooperative plants?

Mr. WELD. We have developed what we think is the most efficient form, the most efficient method of locating packing plants. And there is nothing now that could prevent a cooperative company, or any other company, whether cooperative or not, small plants, being developed in the producing sections of the country except for the difficulty of management that Mr. Chaplin spoke of. But assuming that the quality of the management is the same, there are distributing difficulties with the small plant that the small plant has to encounter, and always will have to encounter.

Mr. MARSH. We know several concerns that are ready to start such plants if this legislation passes. That is in itself an indictment of your packing-plant system at this time.

Mr. WELD. It is no indictment at all if it is properly understood. I was showing the situation with reference to packing plants; and I was showing the experience in other industries, which is that there are new concerns coming in and old ones dropping out all the time. It is nothing peculiar at all and it is happening in all industries. The general tendency in the large industries in the United States for the last 30 or 40 years has been for the total number of plants to decrease and the average size of an individual plant to increase.

I looked up the census figures on slaughtering and meat packing, and found some very amazing results, in which I think you might be interested, gentlemen of the committee, and have had these facts prepared on a sheet to pass around to you. It shows, according to the census figures, the number of establishments in various industries for 1899, 1904, 1909, and 1914. It shows that the number of establishments in the packing industry and many allied industries has increased, while the number in many other important industries has been decreasing. Here I show 10 industries which are closely associated with the slaughtering and meat-packing industry. Then are shown a number of other industries which are more or less hand picked—that is, just to show the tendency in the opposite direction in many important industries of the country. They are more or less selected industries, to show that in a large number of the very important industries of the country the number of establishments has been decreasing. In slaughtering and meat packing we find this very interesting result, that the number of establishments has been increasing, from 882 in 1899, according to the census, to 1,279 in 1914, an increase of almost 50 per cent in the number of establishments in the United States—that is, as enumerated by the census.

You will find at the lower part of the sheet and on the second sheet a number of most important industries where the number of establishments has decreased—some of them have increased somewhat while others have decreased.

These first 10 on the first sheet are concerns which are closely associated with the packing industry and that we are interested in to a very large extent. Practically all these show increases in the number of establishments.

I think the lesson from these figures is obvious. As I was saying, the experience in other industries has been, first, that there are new concerns starting up all the time, and a number dropping out, and figuring all our important industries the actual number of establishments is decreasing, whereas in the slaughtering and meat-packing industry it has been actually increasing, as well as in the allied industries.

Mr. MARSH. Mr. Weld, did I understand you to say that the packers are interested in a number of these first 10?

Mr. WELD. Yes, sir.

Mr. MARSH. There are a great many of them, I notice, which are substitutes for meat, also some fertilizer establishments. Will the packers be debarred under the decree from direct ownership in the most of these, or at least from control?

Mr. WELD. In the case of canning and fruit preserving, and the preserving of fish, the most of these food preparations not elsewhere reported—pickles, preserves, and sauces—those will be separated. The others, I think, will be by-products of the packing industry.

Mr. ANDERSON. The first 10 in 1914 are concerns that are subsidies of the Big Five?

Mr. **Weld**. I think they are. I think fertilizer would be enumerated by the census, one of the subsidiaries of the Big Five, as a separate establishment in the fertilizer industry.

Mr. **Anderson**. So that the figures as to the first 10 items would not indicate the extent to which these lines of business had been centralized.

Mr. **Weld**. Not entirely, no; as to ownership. It shows a very large increase as to the number of establishments. For example, there is fertilizers; the number of plants almost doubled in 15 years.

Mr. **Anderson**. Of course, Armour has been very active in the establishment of fertilizer plants all over the country.

Mr. **Weld**. I guess you would find that the number of packer-owned fertilizer plants would be a very small part of the total. Of course, the Federal Trade Commission shows the total of the fertilizer business done by the large packers, but I forget the figures now. I think it is 15 per cent.

Mr. **Chaplin**. Between 15 and 20 per cent.

Mr. **Weld**. I see here that the large packers handle 19 per cent of the mixed fertilizer and 11 per cent of the acid phosphate. The largest is Armour with 9 per cent of the total. That is according to the report of the Federal Trade Commission, page 212, part 1

Mr. **McLaughlin**. What is your next subject, Mr. Weld?

Mr. **Weld**. I would like to put this statement in.

Mr. **McLaughlin** of Michigan (in the chair). That may be done.

(The statement referred to is here copied in full in the record, as follows:)

Number of establishments in various industries, United States census manufactures, 1914.

[Shows that a number of establishments in packing industry and many allied industries has increased, while number in many other important industries has been decreasing.]

	1899	1904	1909	1914
Slaughtering and meat packing	882	929	1,221	[illegible]
Fertilizers	422	399	550	[illegible]
Condensed milk and milk products	....	81	136	[illegible]
Canning and fruit preserving	1,813	2,261	2,789	[illegible]
Canning and preserving fish	310	310	328	[illegible]
Food preparations not elsewhere reported	645	766	1,213	[illegible]
Grease and tallow	287	300	353	[illegible]
Hair work	158	125	250	[illegible]
Oil, cottonseed and cake	369	715	817	[illegible]
Pickles, preserves and sauces	424	528	580	[illegible]
Sausage not made in meat-packing establishments	198	292	420	[illegible]
Agricultural implements	910	715	648	[illegible]
Baking powder and yeast	191	164	144	[illegible]
Boots and shoes	1,599	1,316	1,343	[illegible]
Boxes (cigar)	315	297	274	[illegible]
Clothing, men's	5,729	4,504	5,584	[illegible]
Cooperage	1,694	1,517	1,374	[illegible]
Cotton manufacturers	1,055	1,154	1,324	[illegible]
Flour mills and grist mill products	9,476	10,051	11,691	[illegible]
Glass	355	399	363	[illegible]
Glucose and starch	132	140	118	[illegible]
Iron and steel:				
Blast furnaces	223	190	208	[illegible]
Steel works and rolling mills	445	415	446	[illegible]
Oil, linseed	48	30	29	[illegible]
Paper and wood pulp	763	761	777	[illegible]
Pumps, not including power	130	115	102	[illegible]
Rice, cleaning and polishing	80	74	71	[illegible]
Roofing material	267	307	117	[illegible]
Tinware	....	377	315	[illegible]
Tobacco, cigars and cigarettes	14,522	16,394	15,822	[illegible]
Wood distillation	102	141	129	[illegible]
Wood turned and carved	1,166	1,097	1,050	[illegible]
Woolen and worsted goods	1,221	1,018	911	[illegible]

Mr. **Weld**. On page 613 there is a list of Armour plants, 32 of em. Swift, I think, has about 15 plants, and the total over the antry was 794 in 1914. If that increase has been kept up, and it s been, probably. there are pretty nearly a thousand now.

Mr. **Young**. Of course, as the country gets older lands become ore in need of fertilizer, and the necessity would arise for increased oduction thereof?

Mr. **Weld**. Yes, sir.

Mr. **Young**. And call for new plants or the enlargement of old ants. Of course. the section of the country along the Atlantic aboard is the oldest settled country, and where the soil has been ore largely used up, and where the greater necessity for fertilizer w exists. In the location of fertilizer plants has it ever been taken to consideration that it is important for the producing sections that ese plants should be located in the sections of the country where the rtilizer is most needed so as to save large freight charges? Ferlizer ought to be a cheap article.

Mr. **Weld**. Yes; and it is a heavy, bulky article to transport. I ink that has been taken into consideration. We have tried to enurage the use of fertilizer in the Middle West, for example, and we ave our plants located accordingly.

Mr. **Chaplin**. You see the most of this fertilizer does not come rom the packing houses. Only the ammoniates come from the acking houses. The solid or heavy and bulky part of the article is he phosphate rock.

Mr. **Lee**. And that comes from Florida and Tennessee?

Mr. **Chaplin**. Yes, sir.

Mr. **Weld**. In the location of the fertilizer plants that also has to e taken into consideration.

Mr. **Chaplin**. No plant that is not advantageously situated as to reights will be profitable.

Mr. **Weld**. I now call your attention to the character of the testimony that has been given here, the character of the evidence of the driving of the small packers out of business by the large packers through unfair competitive methods; and you have been given one typical case, so called, but in which there is no evidence that the packers have driven even that one smaller packer out of business by any unfair methods. And the Federal Trade Commission makes that broad, sweeping generalization without being able to substantiate it at all.

Mr. **Anderson**. That is another character of evidence that is difficult to get and it has only an incidental effect on this proposition—and that is evidence that shows unfair methods of competition. And that is for the simple reason that no concern would come here to testify before this committee that it has been treated unfairly because of the fact that that testimony would have a bad effect upon its credit.

Mr. **Weld**. I guess if a concern had been driven out of business by any unfair methods it would not hesitate to come here and give you evidence to that effect.

Now, gentlemen of the committee, just a word about Mr. Colver's statement about the cattle loan companies in which the packers are interested, and his insinuations that they wield a power over the live-stock producers by being able to call loans. You will remember that when Mr. Colver was asked for specific instances where that had been done that he side-stepped that question and said that there would be cattlemen here on the stand whom you could cross-examine and get their views. I think this cross-examination developed this matter pretty well, and I am wondering how many instances of unfairness you found in your questioning of them on the point. Of course, you found no evidence whatever that the ownership in cattle loan companies had ever been used in any unfair way. On the other hand, I believe it is perfectly obvious to you that by interesting ourselves in live-stock banks and cattle loan companies we have been a positive benefit to the live-stock producing interests by furnishing credit, by making credit more available than it otherwise was or would have been.

Mr. **Marsh.** Mr. Weld, on that point do not you think that if the Government would loan money on a cooperative basis, on the principle of a three-name note to live-stock producers at 4½ or 5 per cent, whatever the Government is paying for the money, with a small charge for reasonable insurance and administration, that it would be better than to have the live-stock producers remain dependent upon the packers?

Mr. **Weld.** Well, it is a very serious question whether we want to go into Government banking. Do you mean to have the Government exclude private corporations from doing banking businesses and supplant those private corporations by Government institutions?

Mr. **Marsh.** No; but simply have the Government go into the business, and if the other people want to go on with it, all well and good. but have the Government help a little in this matter instead of subjecting producers to having credit manipulated by the big banks.

Mr. **Weld.** Credit is not manipulated by the big banks, but every facility is now given by those in the business to help the live-stock producers. If it could be shown that the live-stock producers could not produce cattle because they could not raise funds to finance their operations. I am not sure that I would be opposed to some kind of Government aid—although that is an extremely dangerous step to take, I believe. But no business can prove to the committee——

Mr. **Young** (interposing). Yes; I think the further we can get away from that proposition the better it will be. I do not think the average American citizen wants the Government to go into that business, and I know that I for one do not want to see us go into it.

Mr. **Marsh.** Well, the Government has gone into that kind of business.

Mr. **Young.** Well, I do not care to take up the time here now to argue that point with you, but that is my view of the situation.

Mr. **Weld.** I do not think there is any evidence to show that any such socialistic step is necessary.

Mr. **Marsh.** As far as the live-stock producers are concerned. such action is considered socialistic, but not when banks are permitted to manipulate credit afforded by the Government and make big profits thereon.

Mr. **Weld.** I do not think there is any proof of any necessity of a thing of that kind.

Mr. **McLaughlin** of Michigan (in the chair). You may continue your statement.

Mr. **Weld**. I call attention to Mr. Colver's statement that the packers have been responsible for more agitation and unrest than anyone else in the country. Of course, it is needless to say that I heartily disagree with that statement. My feeling on that point is this: The unrest and development of unsound and radical thought is due to a misunderstanding of the economic fundamentals; it is due to a misunderstanding of the benefits of large corporations, large businesses. It is due to a feeling that there is illegitimate profiteering, and that some people are becoming poorer because other people are becoming richer, and the general feeling that the present economic system is unsound. I believe that the unrest and that the propagation of unsound radical doctrines are due to these misapprehensions of our economic organizations. In the case of the packing industry, every possible misrepresentation of the industry has been——

Mr. **Anderson** (interposing). Before you get away from that, let me say that if I recall correctly, Mr. Colver did not make that statement himself, but quoted from a speech made by Senator Lodge in which it was made.

Mr. **Weld**. He quoted from a speech made by Senator Lodge made way back in 1905 or 1906, but I am very positive that Mr. Colver indorsed that statement himself. If he did not, that was the insinuation, and I am very sure he indorsed that statement himself.

I am saying that every misrepresentation of our present economic organization, every misrepresentation of the packing industry, for example, tends to inflame that prejudice, tends to lead to greater misunderstanding and greater prejudice. And I hold that it is that kind of misunderstanding that causes bolshevism, that causes unrest, that causes socialism. And I say that that very misrepresentation of the present economic organization tends to inflame that prejudice and hence leads to greater unrest.

When such a thing as that pork-loin chart is put out, it tends to make people believe that there is some illegitimate manipulation of the price of pork loins. It makes them dissatisfied with the present order of things. When you put out a chart like the live-and-dressed-lamb chart, it is an absolutely false impression. Every time you refer to such an ordinary business transaction as wiring on as though it was an illegitimate practice; and then you accuse the packers of having an agreement as to the lard compound, without mentioning the fact that that agreement was brought about by the Food Administration, it brings about unrest and the propagation of unsound doctrines and preachings.

It is not the packing industry that has been the cause of the growth of unrest in our country, but the misrepresentation of the packing industry that has caused and is causing the unrest.

Mr. **Marsh**. On the subject of radicalism, may I read here a letter bearing on the subject?

Mr. **McLaughlin** of Michigan (in the chair). If it is not too long and is to the point.

Mr. **Marsh**. It is.

Mr. **McLaughlin** of Michigan. What paper are you proposing to read from?

Mr. **Marsh.** The New Majority, a labor paper, published in Chicago.

Swift & Co.,
Union Stockyards, *Chicago, December 26, 1919.*

Name of addressee omitted by request.
American Legion.

Gentlemen: At a meeting held on December 23, 1919, presided over by Mr. Thomas E. Wilson, there were present representatives of the different stockyard interests, and it was voted that they contribute $10,000 toward a campaign for funds for the American Legion.

A national drive is being made for the Legion, and the amount asked from Illinois is $100,000, Mr. James B. Forgan, chairman of the First National Bank, being treasurer of the fund for Illinois.

The Illinois enrollment in the legion, in comparison with other States, is very much less than it should be. We are all interested in the legion, the results it will obtain, and the ultimate effect in helping to offset radicalism.

It is very important that we assist this worthy work, and at the meeting I was asked by the chairman to write to the different stockyard interests for their contribution.

In prorating the amount, it was suggested that we use an arbitrary percentage as a basis, and the amount you are asked to contribute is $100.

Will you please make check for this amount payable to Mr. Thomas E. Wilson, chairman?

Kindly send me copy of your letter to Mr. Wilson.

Very truly, yours,

Nathan B. Higbie.

United States Food Administration license No. G-09753.

Mr. **Weld.** I am very glad to have that read into the record, because it shows a desire on the part of some of the packers to attempt to overcome these radical tendencies in a perfectly legitimate manner. What does that paper stand for?

Mr. **Marsh.** For democracy in industry as well as in politics. This is a labor paper, published in Chicago.

Mr. **Weld.** Does it have Socialistic leanings at all?

Mr. **Marsh.** Anything that interferes with the existing rule of privilege nowadays is by some people called socialism. On that basis I accept your statement, and on no other.

Mr. **Weld.** Is it in favor of Government ownership of railroads?

Mr. **Marsh.** That is not socialism. Must I define it for you?

Mr. **McLaughlin** of Michigan. No; we have not the time for that.

Mr. **Weld.** No; I have not the time, but my impression is you are probably in a pretty good position to define it.

Mr. **Marsh.** Is the packers' movement allied with Mr. Rockefeller's $20,000,000 drive to eliminate "radicalism"?

Mr. **Weld.** I do not know anything about that. But I know that Swift & Co. would be glad to join with any other people to teach sound economic doctrines; and I think that is the greatest need of this country to-day. And I think that the Congress itself should consider that problem and help the work along in some way, but just how it should be done I do not know. I think it is the greatest need to-day—that is, to get a popular education along fundamental, economic lines.

Miss **Haver.** I would like to know if the American Legion is to offset radicalism, and if so, how it is going to offset radicalism and teach sound economic doctrines? How does Swift & Co. think it is going to do that?

Mr. **Weld.** I do not know at all. I do not know what the American Legion's plans are at all.

Mr. McLaughlin of Michigan. These divergent views are pretty well understood in the main, and as to this witness's opinion of them, if he wishes to give them they may be given, but I do not know that a discussion of the proposition would do very much good. But the views may be given for the benefit of the committee if desired.

Mr. Weld. I am now ready to take up some of the points with regard to Mr. Anderson's statement made before this committee; I mean in his opening statement as the hearings began.

Mr. McLaughlin of Michigan. You may do so.

Mr. Weld. Mr. Anderson was trying to point out that no benefits had accrued to the country through what he called centralization through the development of the large packing concerns. And he gave some figures in an attempt to bear out his feeling on that matter. He said, for example, that Mr. Armour had stated years ago that the cost of killing and selling cattle was only $1.79 a head. And he said that, according to the Bureau of Corporations in 1902, this expense was $1.92 a head. Then he turned to Swift & Co.'s yearbook for 1919, which showed that the expense per head for cattle for the year 1918 was $9.79 a head. And I believe he referred to the figure for 1919 taken from the 1920 yearbook, showing that it was over $11 per head—$11.68 per head, to be exact. And he pointed to this apparent tremendous increase in the expense per head of cattle, from $1.92 a head in 1902 to $9.79 in 1918, with the idea that those figures showed that no benefits had accrued from the large-scale packing organizations because the expense had increased so rapidly.

Now, gentlemen of the committee, the principal difficulty with those figures is that they are not at all comparable. We could have set Mr. Anderson right on those figures in a jiffy if he had cared to come to us to get properly comparable figures.

Mr. Anderson. I asked Mr. Swift in a letter to furnish me with the figures upon this proposition, and he referred me to the figures which are contained in your yearbook. I therefore used the figures which I had. And in this connection I want to say that naturally you people have got more figures upon this and upon every other question connected with the packing industry than anybody else. And, of course, if you decline to give the figures, naturally a man uses the figures he is able to get.

Mr. Weld. I do not believe that you can find any other corporation in the country that has been so free in giving you figures as has been Swift & Co. We will give you practically anything you want, and explain them to you if you give us the chance.

Mr. Anderson. I wish to call your attention also to the fact that I distinctly said in my opening statement that the cost per head in your yearbook did contain items not contained in other figures.

Mr. Weld. You did not mention that in your statement when you tried to compare $1.92 with $9.79.

Mr. Anderson. Yes; I did. In the 1918 yearbook it includes all cost of freight and branch-house expense, which made, per head, $9.79. So that I did say that those figures in your yearbook included items which were not included in the figures in the report of the Senate committee or in the report of the Commissioner of Corporations.

Mr. Weld. All right. Do you know what the comparable figure is with the Bureau of Corporations' figure? That is what I am going to give you now.

Mr. Anderson. I think it is $3.95.

Mr. Weld. How do you happen to have such figures? Was that from the correspondence?

Mr. Anderson. No; I got them from the yearbook.

Mr. Weld. Why did not you say that in comparison with $1.92 it was some such figure, then?

Mr. Anderson. Well, I used Mr. Armour's figure, $6.72, also.

Mr. Weld. The fact is that as comparable with $1.92 our expense in 1918 was $3.52, which is less than double the expense of 16 years before. In 1919 it has gone up to $5.50. The Bureau of Corporations' figures apply only to plant expense, as you have just said, and did not include freight to market. Freight alone would have been as much as $1.92, and those figures did not include the branch-house selling expense, which the figure in 1918 of $3.52 and in 1919 of $5.50 do include. In the meantime great changes in conditions had taken place, so that while in 1919 they were nearly three times larger as compared with 1903, you must remember that wages had increased tremendously and the hours of labor had decreased, and, unfortunately, the output per man-hour had decreased, which gives a very serious consideration. With that expense, plus changes caused by inspection laws and employers' liability acts and improved facilities for employees, all increased our expenses materially. Take one single item alone, and we now have to cover many of our cattle with burlap or cheesecloth before shipping, which costs about $1 per head. Another thing, in 1919, because of the failure of the ice crop, our cost for icing was two or three times more than normal. In view of all these facts, plant expense per head increased only from $1.92 in 1902 to $3.52 in 1918 and to $5.50, or less than three times more, in 1919.

Therefore, gentlemen of the committee, I ask where can you get any lesson out of that? In fact, if benefits from large-scale organization of the packing industry have not been real, or have not been realized, I wish to know.

Mr. Anderson. I said that they did not show that your concentration of the industry has been able to save anything in the cost of production, and that it would not reflect any saving in the way of an increased price to the producer or lessened cost to the consumer. That is what I said, and I still stick to it.

Mr. Weld. And I say to you that it is perfectly remarkable that these costs have not increased more than they have in view of the increase of expenses all the way along the line, which increases are common to every industry as well as our own, and which are common to the smaller packing concerns as well as the larger packers. One would infer from your statement that if they had all been small packers instead of large ones the expenses would not have gone up as far as they had.

Mr. Anderson. You may infer that if you desire.

Mr. Weld. That is the only lesson you draw from it.

Mr. Anderson. It is not necessary to draw any inferences, as they speak for themselves. And if I drew any conclusions they were the natural conclusions to be drawn from the facts as shown.

Mr. **Weld.** Your conclusion was that beneficent results from large-scale production had not been realized because of the increased cost of production per head, that it was so great, and the figures you gave out vastly exaggerated that.

Mr. **Anderson.** I said your volume had not resulted in any reduction in cost of handling cattle per head or per pound or per dollar of sales, and you can not show that it has.

Mr. **Chaplin.** Yes; we will show that. We will show you that the cattleman gets a larger percentage now than he did in 1902.

Mr. **Anderson.** Have you any figures to show that?

Mr. **Chaplin.** Yes; and we will do it.

Mr. **Anderson.** If what I said has finally resulted in smoking out the figures, I am satisfied.

Mr. **Weld.** You will have no difficulty in smoking out any figures from us. We will gladly give them to you. You can not find another corporation in the country as willing to give figures as we are.

The **Chairman.** You may proceed with your statement, Mr. Weld.

Mr. **Weld.** Mr. Anderson, you also gave as another proof of—I do not know whether I better say of the inefficiency resulting from our size or that benefits from the large-scale packing plants have not accrued—that the Bureau of Corporations in its 1905 report said that our beef profits were about one-eighth of a cent per pound, and that our yearbook in 1919 gives a profit of one-fourth of a cent per pound, which is therefore an increase of 100 per cent in our profit. That is an insinuation that no benefit had accrued to the public through the large size of the packing companies.

Now, I wonder if you think a profit of one-fourth of a cent a pound earned in 1919 is any higher than it ought to be? And I am wondering how much effect you think that has on the price of cattle or of beef? I also wonder if it has occurred to you that the profit in 1905, when the Bureau of Corporations' report was put out, was too low?

I have already shown to the committee that the profit of a quarter of a cent a pound on beef yields only about 6 per cent on the capital invested in the beef end of our business.

Mr. **Anderson.** Did not I specifically state that I did not know whether it was too high or too low?

Mr. **Weld.** You gave it as an indication that——

Mr. **Anderson** (interposing). I gave it as a fact from the published record.

Mr. **Weld.** Why did not you compare it with 1919 also. In that year our profit was actually a loss of 70 cents a head, about one-sixth of a cent a pound.

Mr. **Anderson.** You will find it in the statement which I showed of profit and loss per head, that I included the statements for 1919.

Mr. **Weld.** Following your line of reasoning our profit has decreased 100 per cent since 1905.

Mr. **Anderson.** It would be very difficult to decrease more than 100 per cent unless it was less than nothing.

Mr. **Weld.** And that is just what it was—less than nothing—a loss of 70 cents a head last year.

Mr. **Young.** In 1919?

Mr. **Weld.** Yes, sir; on cattle.

The CHAIRMAN. You may continue your statement.

Mr. WELD. What does this all prove anyway? What does it convey on the question of our efficiency or whether there have been benefits derived from centralization?

Another interesting point is that prices now are more than twice as high as they were in 1902, or 1903, whatever years the figures of the Bureau of Corporations covered; and therefore one-eighth of a cent then was as large a percentage of the selling price as one-fourth of a cent is now.

Mr. ANDERSON. The only reason I used the one-quarter of a cent was because you gentlemen were bragging you only made a quarter of a cent a pound on the meat; and I showed by the public records that that was almost twice as much as you made in 1905.

Mr. WELD. We have not bragged about it. We have only reported the fact that our profit of a quarter of a cent per pound had practically no effect upon prices. If you were to cut it out altogether it would not make any difference in the price. I certainly have not heard you admit, and have not heard the Federal Trade Commission admit, and it probably never will admit, but it is a fundamental fact, and which if understood would destroy a great part of this feeling against the packing industry. But you try to discredit these figures yourself.

Mr. ANDERSON. I would not admit that the cost of any service added to the price of the raw material was without effect on the price to the consumer. That conclusion would be perfectly absurd.

Mr. WELD. We do not say wholly without effect.

Mr. ANDERSON. Do you mean to say that the profit of a quarter of a cent a pound is not reflected at all? If so, then a profit of a cent a pound or a cent and a half a pound would not be reflected at all.

Mr. WELD. We do not say it has no effect, but that it has practically no effect. We mean that it has such a small effect that you can not notice it. Of course, it has some effect, but it is so slight as to practically amount to nothing. If it was 2 cents or 3 cents or 4 cents or 5 cents a pound then it would have an important effect upon the price of meat. But as it is it had practically no effect.

Mr. ANDERSON. You will not say that the increased cost of handling a beef animal had no effect on the price of meat?

Mr. WELD. No, sir. But I do say that because of our large organization and our ability to distribute products in the most economical fashion it has been perfectly amazing that we have been able to keep the cost per head and per pound down as low as we have. In view of the way that wages have gone up, which have increased over 150 per cent, and perhaps 160 per cent hourly wages, while the cost of living in Chicago has gone up only 80 per cent or 90 per cent, which is almost twice as fast as the cost of living, we have done wonderful work. We are now on an eight-hour basis. We used to be on a ten-hour basis, so that we are now paying our labor in the plant for eight hours wages that represent over 130 per cent more than the wages we formerly paid for 10 hours.

Mr. ANDERSON. The labor cost of plant expense, according to your own statement. is only about 25 per cent of the cost.

Mr. WELD. Oh, no; that is incorrect. The direct labor cost is—well, I have not the figures with me—but in all other items, such as shipping and icing, there is labor.

Mr. Anderson. That is not included in plant expense?

Mr. Weld. Yes, sir; that is a part of plant expense. I was not going to bring that up because——

Mr. Anderson (interposing). But you have brought it up.

Mr. Weld. I say, all these items of labor had to be included. The direct labor in killing carcasses and in the cooling room and in the dressing room, and so forth, does not give the total cost of labor in our packing plant. You will find in my testimony where those figures were presented to the District of Columbia Committee of the Senate last summer and to the Senate Committee on Agriculture, and that very point is explained.

Mr. Marsh. Did you turn over your money any more rapidly in 1919 than you did in 1905?

Mr. Anderson. You have all of the labor costs included in the $1.20, or whatever it is.

Mr. Weld. I do not remember the figures, but is that the total sum?

Mr. Anderson. It is the total plant expense.

Mr. Chaplin. That includes all labor?

Mr. Weld. The total includes all labor, but the one item of labor does not include all the labor.

Mr. Chaplin. The item of repairs includes labor, and the steam power and the lights and the teaming and the icing include labor.

Mr. Anderson. One thing here is general administration expense, and it is almost as large as the labor expense, or two-thirds as much.

Mr. Weld. That is direct labor, and does not include all the labor in the plant that you have been talking about.

Mr. Chaplin. That administration expense is not a question of the officials' salaries; it covers a great many other things.

Mr. Marsh. Did you turn over any more rapidly in 1919 than in 1905?

Mr. Weld. I do not know. I am going to give you the figures of what the turnover was in 1919. I doubt if the figures are available for 1905.

Mr. Marsh. Do you think that an indication of efficiency, that you were not able to make money, or the reverse?

Mr. Weld. How is that?

Mr. Marsh. Do you think if you were unable to make money it was an indication of the inefficiency of the packers, or not?

Mr. Weld. If all the packers had a bad year, it would not be any reflection upon their efficiency. It would be due to natural conditions over which the individual packer had no possible control, such as the slump in the hog and pork market, adverse commercial conditions, and so on,

Mr. Marsh. Do you think whether you make a profit from one line only should be considered, say, such as on meat, or from the whole business?

Mr. Weld. I think they should be considered both ways. That is the way we do it.

Mr. Marsh. The price of hides went up, didn't it?

Mr. Weld. Yes, sir.

Mr. Marsh. And your profits in hides were considerable.

Mr. **Weld**. No; we made no profit in hides. I am going to explain that very soon. The profit in hides is included in the beef operations, on which we lost money last year for the whole year.

The **Chairman**. You may continue your statement.

Mr. **Anderson**. Before we leave this particular proposition I wish to know just to what extent you are disputing the figures I gave. You do not deny that the report of the Bureau of Corporations for 1905 stated that your profit per pound for beef was one-eighth of a cent?

Mr. **Weld**. No, sir.

Mr. **Anderson**. And you do not deny that in your 1919 yearbook, and both in 1918 and 1919, you state your profits did not exceed a quarter of a cent a pound?

Mr. **Weld**. I say, in 1918 it was a quarter of a cent a pound, and in 1919 it was a loss.

Mr. **Anderson**. The statement in your 1919 yearbook was that your profit was a quarter of a cent a pound.

Mr. **Weld**. Of the entire business in 1919. The statement is made definitely that we lost money on beef.

Mr. **Anderson**. The statement is made that you lost 70 cents per head, but no statement is made that you lost money on beef as such.

Mr. **Weld**. Our cattle-business loss is 70 cents a head, and our entire business made a quarter of a cent a pound profit.

Mr. **Anderson**. Your test case shows a quarter of a cent a pound.

Mr. **Weld**. That is the whole business during the year. But it is not a test case.

Mr. **Chaplin**. We lost 70 cents a head.

Mr. **Anderson**. I should like to have the figures showing what your total number of cattle slaughtered was, the total cost of cattle, and the total cost of killing cattle, and the profit per pound, based on the total, not based on one head as you have it here in your yearbook.

Mr. **Chaplin**. It was about 2,300,000.

Mr. **Weld**. Certainly. All we need do is to furnish the total number of head, and you may multiply it into the figures in what you call the "test case."

The **Chairman**. Does that include calves?

Mr. **Chaplin**. No, sir; just cattle.

The **Chairman**. How many calves were there?

Mr. **Chaplin**. Somewhere around a million.

The **Chairman**. How many hogs?

Mr. **Chaplin**. Eight million.

The **Chairman**. How many sheep and goats?

Mr. **Chaplin**. I think a little over 3,000,000, but do not remember exactly.

The **Chairman**. Those figures are for Swift & Co., are they?

Mr. **Chaplin**. Yes, sir; for Swift & Co.

The **Chairman**. What were your profits—but first, what year are you referring to?

Mr. **Chaplin**. 1919. Our profit was about $14,000,000. We killed about 16,000,000 animals, as I recollect it.

The **Chairman**. How about 1918; was the number about the same?

Mr. **Chaplin**. I think we killed more cattle and less hogs.

The Chairman. It would be approximately the same?

Mr. Chaplin. I think the grand total of the number of animals was about the same.

The Chairman. What were your profits in 1918? This includes all your plants?

Mr. Chaplin. It is everything. Our profits in 1918 were, after taxes, $21,000,000.

The Chairman. Put in your taxes, too.

Mr. Chaplin. Before our taxes were deducted our profits were about $33,000,000.

The Chairman. That is about $2 a head on the average?

Mr. Chaplin. In 1918, yes; but, of course, that includes profits from a good deal of stuff that did not come from the animals, such as poultry, butter, eggs, and fertilizer.

The Chairman. About what is the percentage on that?

Mr. Chaplin. Do you want the results from cattle, calves, sheep, and hogs?

The Chairman. No; I want to take it all in the aggregate—lump it all together. What is the percentage now of slaughter, compared with your unrelated lines?

Mr. Chaplin. On our live-stock business——

The Chairman (interposing). What is the percentage?

Mr. Chaplin. Of earnings?

The Chairman. On your total business.

Mr. Chaplin. I would say about 70 per cent of them come from live stock; but that has no relation to the profits.

The Chairman. Your greatest profits were in by-products—the grocery business and other things?

Mr. Chaplin. No.

The Chairman. Which yielded the biggest profit?

Mr. Chaplin. I can not answer offhand, but I can tell you what we made on the live stock end. We made——

The Chairman (interposing). What year?

Mr. Chaplin. 1918. We made 7.57 on all the money employed, including borrowed money. And we made 2.04——

The Chairman (interposing). How much per head?

Mr. Chaplin. I think we made about $1.25 a head before paying interest on the borrowed money or taxes in 1918.

Mr. Lee. What per cent would that be by having them deducted?

Mr. Chaplin. That would be about 50 per cent. In other words, our profits were cut in two by interest and taxes.

Mr. Anderson. Your year book says $1.02; you say $1.25, as I understand.

Mr. Chaplin. Well, $1.02 is for cattle alone and $1.25 is on all animals.

Mr. Anderson. That would be a big profit on a lamb, wouldn't it?

Mr. Chaplin. Yes; if so applied. But it would not be very much profit on cattle or on hogs.

The Chairman. Seventy per cent of $33,000,000 would be about $23,000,000. You made about $1.50 per head if applied to lambs, goats, calves, and all?

Mr. Chaplin. I think the actual profit on animals was about $18,800,000. That was the actual profit as audited and turned in to the Federal Trade Commission.

The CHAIRMAN. This statement shows that you received a big profit on your by-products, groceries, and so on.

Mr. CHAPLIN. Yes; there are a great many other things besides by-products, such as butter, eggs, and cheese; and we have tanning.

The CHAIRMAN. Which is only 30 per cent of your total business. If you deduct 70 per cent for live stock, you have 30 per cent left.

Mr. WELD. We have profits from various investments. We have profits from foreign countries; foreign plants, South American plants, for example.

Mr. ANDERSON. That is included in the 1918 figures?

Mr. WELD. A part of the year; about 10 months of 1918; $4,000,000 is included in 1918.

Mr. ANDERSON. But not in 1919?

Mr. WELD. No; except such subsidiaries as we have abroad for handling our United States goods.

The CHAIRMAN. Does that include the slaughtering houses in foreign countries?

Mr. WELD. No, sir; we owned nothing abroad in 1919. We did include our South American slaughterhouses for a part of the time in 1918.

The CHAIRMAN. Did you have branches disposing of the meat products?

Mr. WELD. We have agencies in Europe disposing of our United States products, which we ship over there.

The CHAIRMAN. Beef cattle and hogs?

Mr. WELD. We did not ship any beef. It was mostly pork products and lard.

The CHAIRMAN. But profits on handling those goods abroad?

Mr. WELD. All those profits are included in those figures.

The CHAIRMAN. But there are profits from live stock?

Mr. WELD. Yes, sir; that is in there.

The CHAIRMAN. And the profits there should be added to the $18,000,000?

Mr. WELD. It is added.

The CHAIRMAN. Then how much is it?

Mr. WELD. It is $18,800,000.

The CHAIRMAN. Is that business included in the 30 per cent or the 70 per cent?

Mr. CHAPLIN. No; that business is included in the 70 per cent.

The CHAIRMAN. Then all the profits in the United States and outside you say are $18,000,000?

Mr. CHAPLAIN. Yes, sir.

The CHAIRMAN. Or about 70 per cent of the business?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. Deducting $18,000,000 from $33,000,000 and you have a profit of about $15,000,000, or 30 per cent of the business?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. Where do those profits come from?

Mr. CHAPLIN. Butter, eggs, poultry, cheese, cotton seed oil, tanning, soap, fertilizer—that is, commercial fertilizer, but not animal fertilizer.

The CHAIRMAN. If the total profit was 26.1 per cent your total must have been very large for butter, eggs, cheese, and so on.

Mr. Chaplin. No, sir; not particularly large on those items.

The Chairman. Accordong to these figures you must have made very big profits.

Mr. Chaplin. Yes; we made more money on those lines; not from poultry, butter, and eggs, but on tanning and fertilizer, commercial fertilizer.

The Chairman. But the tanning is outside. That is where some got a profit at the expense of the stockholders.

Mr. Chaplin. No, sir; that is all owned by the company.

The Chairman. The reports showed that some of these tanners made about 600 per cent.

Mr. Chaplin. No, sir.

The Chairman. That would indicate that hides were sold at a very low price to subsidiary concerns.

Mr. Chaplin. No, sir; I do not think anything of that kind happened to us. We did not make any such profits.

The Chairman. The report showed such profits.

Mr. Chaplin. But not that we made any such profit.

The Chairman. It indicated that Mr. Armour and a number of others received some very nice checks, large checks.

Mr. Chaplin. We did not make any such profits. Anyhow all profits that we did make were included in our figures. For the entire year we made 11.2 per cent on our net worth, on the stockholders' investment for the entire year.

Mr. Anderson. What year?

Mr. Chaplin. 1918.

Mr. Anderson. The figures showed you made 26 per cent, and you put them in the record here.

Mr. Weld. In 1918?

Mr. Anderson. Yes.

Mr. Weld. That is 1917 you are talking about.

Mr. Chaplin. Twenty-six and ninety-one-hundredths per cent, I think, according to the printed statement there. I do not think we reached 33 per cent.

Mr. Weld. If we did it was before deducting excess-profit taxes.

Mr. Chaplin. I think that statement you have shows our profit. For 23 years the average was less than 2½ cents on the dollar.

Mr. Weld. The average is $2.45 on each dollar of sales, and 11.9 per cent on the investment.

The Chairman. Can you give the profits for the other so that we can find out how much you are making on your eggs and cheese? That is a question under consideration as much as any other matter.

Mr. Chaplin. I think we can give you that.

The Chairman. There is under consideration the advisability of divorcing the packers from these activities.

Mr. Chaplin. We have furnished it.

The Chairman. The report is 26.1 per cent for 1918, 33 per cent for 1917, and 16.9 per cent for 1916. That, as I understand, is the report to the Federal Trade Commission.

Mr. Weld. I think that is as near as we can come to that. The figures there are shown in the 1920 yearbook, page 21.

The Chairman. It is shown here under earnings in the Senate hearings, pages 96 and 97.

Mr. **Chaplin**. That was before paying taxes.

The **Chairman**. Oh, well, we all pay taxes. When we speak about profits we know that we have to deduct taxes.

Mr. **Chaplin**. I know, but a shareholder does not get that.

The **Chairman**. Well, the shareholder gets his profit and pays his taxes. That is what everybody else does. I do not know about the packers, but that is the general run of business. If the corporation pays the taxes and deducts them that, of course, reduces the profits.

Mr. **Chaplin**. That is the general custom, I believe.

Mr. **Weld**. We show that in our statement, how much the taxes are.

The **Chairman**. Here is the statement and here is the report.

Mr. **Chaplin**. I would like to have this particular statement put into the record.

(The statement referred to is here copied in full in the record, as follows:)

SUMMARY OF PROFITS FOR FISCAL YEAR NOVEMBER 3, 1917, TO NOVEMBER 2, 1918 (FIRST YEAR UNDER REGULATION OF UNITED STATES FOOD ADMINISTRATION), 12 MONTHS.

Business under regulations of United States Food Administration being the manufacture and sale of products from the slaughter of cattle, calves, sheep, and hogs.

(The earnings from this business were limited by the regulations to 9 per cent on the capital employed, and not to exceed 2½ per cent of the sales.)

Earnings	$18, 786, 696. 26
Capital employed	$248, 214, 189. 26
Per cent of earnings to capital employed	7. 57
Sales	$922. 726. 756. 00
Per cent of earnings to sales	2. 04

Note.—There should be deducted from the above earnings a portion of interest on borrowed money and other things, and of reserve for Federal taxes approximating $9,000,000, leaving net earnings from this business $9,800,000.

Other business:	
Earnings from departments and investments	$23, 723. 098. 16
Earnings from foreign investments	4, 221. 473. 94
Total	46, 731, 268. 36
Less interest on borrowed money and other charges	13, 745, 826. 20
Total	32, 985, 442. 16
Less reserve for Federal and foreign taxes	11, 828, 164. 72
Net earnings for year	21, 157, 277. 44
(11.2 per cent on average capital and surplus.)	
Dividends paid	9, 000, 000. 00
Transferred to surplus	12, 157, 277. 44

The **Chairman**. Of course, if you are going to make a deduction from your profits for taxes, all right, but we want to know about it.

Mr. **Chaplin**. Well, the statement I have furnished shows that.

The **Chairman**. We are very glad to have it. We want it correctly stated, so that we may know the situation. Sometimes it is put in at 5 per cent, sometimes at 9 per cent, and sometimes at 11 per cent. This Federal Trade Commission report shows 26.1 per cent profit one year and 33 per cent for another.

Mr. **Weld**. That is correct before deducting taxes.

Mr. CHAIRMAN. What do you say is correct? What the Federal Trade Commission reports?

Mr. WELD. I do not know what the figures are, but probably they are correct; if they are before the taxes were put in they are likely to be correct, as you have stated.

Mr. CHAPLIN. The figures I am giving you are after deducting Federal taxes.

The CHAIRMAN. The taxes were about 50 per cent?

Mr. CHAPLIN. The taxes were $11,800,000.

The CHAIRMAN. What is the profit?

Mr. CHAPLIN. $33,000,000.

The CHAIRMAN. That is about 33 per cent?

Mr. CHAPLIN. Yes, sir; about 35 per cent.

The CHAIRMAN. Then you add to your report about 33 per cent. And here is how much, 12 per cent?

Mr. CHAPLIN. Yes. That is 11.2 per cent.

The CHAIRMAN. That would bring you up to about 16 per cent?

Mr. CHAPLIN. Yes, sir; that is about what they said.

The CHAIRMAN. And this is 26.1 per cent?

Mr. CHAPLIN. No; not for 1919.

The CHAIRMAN. This is 1918. I have no report for 1919 here.

Mr. CHAPLIN. I would like to see that report.

The CHAIRMAN. Here it is.

Mr. CHAPLIN (after looking at paper). That is before taxes had been deducted.

The CHAIRMAN. This is the total profit.

Mr. MARSH. May I ask what was your average rate of interest paid by Swift & Co. in 1918?

Mr. WELD. I do not know what the rate was, but around 6 per cent, I think.

Mr. MARSH. Was that the average or the highest rate?

Mr. CHAPLIN. That would be about the average rate.

The CHAIRMAN. The committee will now stand in recess until 2 o'clock p. m.

(Thereupon, at 12.15 o'clock p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee met pursuant to recess at 2 o'clock p. m.

The CHAIRMAN. You may proceed, Mr. Weld.

STATEMENT OF MR. L. D. H. WELD, OF CHICAGO, ILL.—Resumed.

Mr. WELD. Mr. Chairman, since you had the Federal Trade Commission report on profiteering made a part of this record this morning, I request that Swift & Co.'s answer to the Federal Trade Commission report on profiteering be also inserted in the record and immediately following the Federal Trade Commission report, if possible.

The CHAIRMAN. Without objection, it will be so ordered.

(The answer referred to is printed immediately following the report on profiteering in the reports of the morning session.)

Mr. ANDERSON. I would like to ask you one question on this financial statement, if I may? This covers the period from November 3, 1917, to November 2, 1918, "less reserve for Federal and foreign taxes, $11,828,164.72." What was the actual amount paid for taxes?

Mr. WELD. Will you answer that, Mr. Chaplin?

Mr. CHAPLIN. I can not say. It was about that amount. That was our estimate made at that time. We did not pay the taxes for four or five or six months later; in fact, I do not know that the whole thing is settled yet, but it is approximately this figure.

Mr. ANDERSON. You are unable to state just what that figure is?

Mr. CHAPLIN. Yes, sir.

Mr. ANDERSON. Are you going on with that quarter of a cent a pound business; if not, I would like to ask you some question on that.

Mr. WELD. On the particular point I was making, I am not going on with that.

Mr. ANDERSON. I understood Mr. Chaplin to say this morning that your profits on your meat business in 1918 were something over $18,000,000?

Mr. CHAPLIN. Yes, sir; before deducting interest and taxes.

Mr. WELD. Before deducting interest on borrowed money.

Mr. CHAPLIN. Yes, sir. That is the 1919 book you have.

Mr. ANDERSON. Your total sales in pounds of meat products in 1918 were less than 3,000,000,000 pounds?

Mr. WELD. On meats, I think somewhere about 3,000,000,000 pounds.

Mr. CHAPLIN. No, sir; that is just the meat.

Mr. ANDERSON (interposing). That is what I am talking about.

Mr. CHAPLIN. Just the meat alone; yes, sir.

Mr. ANDERSON. So, if you made $18,000,000 on your meat account and sold 3,000,000,000 pounds, that would make a profit of six-tenths of a cent a pound?

Mr. CHAPLIN. Yes, sir; gross, before deducting the interest on borrowed money and taxes.

Mr. WELD. I was going to refer to that, as you seemed to think, in your original statement, there was some discrepancy in our figures on that score. We have never said that our profit was a quarter of a cent a pound on all meats. We have referred to beef when we have said a quarter of a cent a pound. When we have spoken——

Mr. ANDERSON (interposing). Now, let us see about that. On page 38, of your 1919 yearbook, it says:

> Using the latter figure this was only one and one-sixth cents on each dollar of sales and averaged only one-fourth of a cent per pound on all products of every description sold.

Now, would not that lead anybody to believe that your profit on meat was a quarter of cent a pound?

Mr. CHAPLIN. No; it says "on all products of every description sold."

Mr. WELD. Sold in 1919.

Mr. ANDERSON. That includes meats.

Mr. WELD. Yes; what is there wrong about that?

Mr. ANDERSON. I do not say there is anything wrong with that, but that is a statement that would lead anybody to believe that your profit was one-fourth of a cent a pound.

Mr. WELD. It was in 1919. The figure you show here was in 1918.

Mr. ANDERSON. It was more in 1918 than it was in 1919.

Mr. WELD. Yes; it varies from year to year.

Mr. ANDERSON. And it was more in 1917 than it was in 1918.

Mr. WELD. Yes, sir.

Mr. ANDERSON. So that when I stated that you said it was a quarter of a cent a pound I did not do you any injustice.

Mr. CHAPLIN. Merely in questioning the figures; you questioned the truthfulness of our publicity.

Mr. WELD. Yes; I was going to come to that, where you said that our quarter of a cent a pound was either inaccurate or misleading. I do not remember just the expression you used.

Mr. ANDERSON. I think it is if you take into consideration the fact that in your profit statement you did not include taxes, nor do you consider stock dividends or extra cash dividends.

Mr. CHAPLIN. But we do include them. Cash and stock dividends are included.

Mr. ANDERSON. They are not included in the $18,000,000.

Mr. CHAPLIN. Because they were not earned in that year.

Mr. ANDERSON. In 1919.

Mr. CHAPLIN. They were earned in prior years.

Mr. ANDERSON. You took them in 1919.

Mr. CHAPLIN. No; we did not take them. We merely gave the shareholders an extra certificate. He had two pieces of paper instead of one piece of paper.

Mr. WELD. It had nothing to do with the earnings.

Mr. ANDERSON. I would like to have a few pieces of paper like that.

Mr. WELD. You can have them by buying stock in the open market, if we have any stock dividend.

Mr. ANDERSON. If they are not worth anything and do not represent any earnings and have no earning power, of course, I would not care anything about them; but if they do, and I assume they do, I would like to have a few of them.

Mr. WELD. You are stating the thing absolutely wrongly and interpreting it in an entirely wrong fashion. We are saying that the issue of stock dividends does not represent or is not based on the current earnings of that year in which they are issued.

Mr. CHAPLIN. They are not in themselves profits.

Mr. ANDERSON. You mean to say they do not represent the profit on sales of meat or other products for that year?

Mr. CHAPLIN. Yes, sir; that is what we mean.

Mr. ANDERSON. But they do represent profits so far as the shareholder is concerned. They are profits so far as he is concerned.

Mr. WELD. That have been accumulated from past years, and have been reported as profits in those past years, in our 2½ cents on each dollar of sales.

Mr. ANDERSON. That can not be true, because you do not reduce your surplus by the amount of the stock dividend.

Mr. WELD. It is absolutely true, except where a stock dividend is based on an increase in the value of our plant and our physical equipment.

Mr. CHAPLIN. All of these stock dividends, except that one, were paid out of prior earnings that had been declared as earnings in the year in which they were made part of the earning, having been paid as dividends, and the other part having been left in the business. We are merely giving the shareholder a certificate that does not change his proportionate ownership in the business, but merely gives him two certificates instead of one.

Mr. HUTCHINSON. Mr. Chaplin, right there, in the accumulation of those years, you put this in the surplus.

Mr. CHAPLIN. Yes, sir.

Mr. HUTCHINSON. And when you got ready to declare a stock dividend you took it out of surplus?

Mr. CHAPLIN. Yes, sir.

Mr. HUTCHINSON. Your surplus represents earnings.

Mr. CHAPLIN. Yes, sir; which have been declared as earnings.

Mr. WELD. And declared as earnings in that table you had put in the record.

Mr. CHAPLIN. And they are included in this 2¼ cents on a dollar of sales which is shown in this statement here for 23 years.

Mr. ANDERSON. In the same year in which you declared 33⅓ per cent dividends you increased your surplus by $9,000,000.

Mr. CHAPLIN. Yes, sir; that came out of a reappraisal of our fixed investment.

Mr. ANDERSON. And in the next year, when you increased your capital stock $50,000,000, your surplus you increased by $31,000,000.

Mr. CHAPLIN. No; I think not.

Mr. ANDERSON. Well, it was an increase from $69,000,000 to $101,000,000.

Mr. CHAPLIN. No; I can not find that here.

Mr. ANDERSON. According to the figures of the Federal Trade Commission, in 1917 you increased your net worth from $135,000,000 to $251,000,000 without the addition of a single cent of new capital.

Mr. CHAPLIN. No; I do not think that is true. There was an issue of $25,000,000 in cash as I see it.

Mr. ANDERSON. That net worth represents your capital stock and surplus in each case.

Mr. CHAPLIN. Between what years?

Mr. ANDERSON. 1917 and 1919.

Mr. CHAPLIN. How much do you say we increased it?

Mr. ANDERSON. From $135,000,000 in 1917 to $251,000,000 in 1919.

Mr. CHAPLIN. No, no; that is not right. May I look at that?

Mr. ANDERSON. Surely. I have nothing myself that anybody can not look at who wants to.

Mr. WELD. The same here.

Mr. CHAPLIN. I do not understand these figures. They are incorrect. We never had any surplus of $101,000,000.

Mr. WELD. Mr. Anderson, you might be interested to realize——

Mr. ANDERSON (interposing). Your surplus in 1917, according to your own statement, was $59,965,000.

Mr. CHAPLIN. That is at the end of the year.

Mr. ANDERSON. And on November 2, 1918, it was $84,575,000, and in that period you had also increased your capital stock; had you not?

Mr. CHAPLIN. Yes, sir; that goes with the capital.

Mr. ANDERSON. You increased your surplus and increased your capital at the same time?

Mr. Chaplin. Yes, sir; the one came out of cash and the other came out of earnings.

Mr. Anderson. What I supposed you were trying to demonstrate to me was that these cash dividends and stock dividends which you paid came out of your surplus and represented surplus.

Mr. Chaplin. That is correct, except for the $25,000,000 stock dividend which was paid out of a revaluation of our fixed assets.

Mr. Anderson. You claim, then, that it is not true that from 1917 to 1919 you increased your net worth from $135,000,000 to $251,000,000?

Mr. Chaplin. No; that is absolutely incorrect.

Mr. Anderson. I understand that these figures are taken from a statement which Swift & Co. rendered to the Federal Trade Commission.

Mr. Chaplin. Well, it has been incorrectly transcribed or listed.

Mr. Hutchinson. In increasing your capital or common stock, was that in cash?

Mr. Chaplin. Yes, sir; we issued $25,000,000 for cash at par and at the same time we issued a $25,000,000 stock dividend. The object of that stock dividend at that time was to permit our shareholders to secure the funds at the banks. At that time it was very difficult to secure money of any kind for any kind of business.

Mr. Hutchinson. There was a $50,000,000 increase right there in the common stock.

Mr. Chaplin. Yes, sir.

Mr. Hutchinson. Your surplus only increased about $50,000,000 at that time. Instead of one hundred and some odd millions it was only fifty million.

Mr. Anderson. Well, that is 66⅔ per cent of your capitalization in 1917, so "only $50,000,000" is quite a little money. You say this $25,000,000 was earned in prior years, and therefore you should have decreased your surplus in 1918 by $25,000,000; should you not?

Mr. Chaplin. In what year?

Mr. Anderson. In 1918.

Mr. Chaplin. No, sir; we did not. We increased it by a reappraisal of our assets. We added to surplus out of earnings that year $12,000,000.

Mr. Anderson. I do not know how you did it, but some way or other you increased your surplus from September 29, 1917, to November 2, 1918, by $25,000,000.

Mr. Chaplin. I say there was $12,000,000 of that which came out of the earnings of 1918 and $30,000,000, or something like that, between twenty-five and thirty million dollars, that came out of a revaluation of assets, and we declared a stock dividend of $25,000,000. Then there were earnings for the month of October of about $6,000,000 or between six and seven million dollars. That, I think, makes it.

Mr. Weld. May I go on now?

Mr. Anderson. Yes.

Mr. Weld. Referring again to those figures on the cost per head of cattle as reported by the Bureau of Corporations and as reported by Swift & Co.'s yearbooks for 1918 and 1919, I call your attention to Mr. Anderson's statement on page 39 of the hearings here where he says:

> I am simply making this statement for the purpose of showing that in spite of the volume which is now, if my recollection serves me correctly, about six times what it was in 1903—the cost of handling a head of cattle has increased about four times.

The cost per head of handling cattle had up to 1918 increased less than two times and up to 1919 less than three times, so that that statement about four times is inaccurate and the table at the bottom of page 39 is also inaccurate, where Mr. Anderson includes as comparable items in that table the killing and dressing, refrigeration and shipping—have you that before you, Mr. Anderson?

Mr. ANDERSON. Yes; I have.

Mr. WELD. That refrigeration and shipping item of 0.5731 and administration and selling 0.7395, those should all be with the killing and dressing item at the top, and the figures for refrigeration and shipping, administration and selling for 1903, are not there at all. Your totals are absolutely inaccurate so far as any comparison is concerned.

Mr. ANDERSON. Well, that is your view of it.

Mr. WELD. Well, that is the fact. The same error is continued in the table at the bottom of the page where in the next to the last line you show expenses of only 1.90 for 1904, as compared with 9.79 in 1918, 11.63 in 1919, and 11.68 in 1920.

Those figures are not comparable and the figures you have in there for 1919 that you say were submitted to the Senate Committee on Agriculture were for only four weeks in 1919.

Mr. ANDERSON. Well, due to my inability to get any figures from you as to these costs I used what figures I had, and as I understand. the 1905 figures of cost include all of the costs, not only plant cost but cost of selling at Chicago.

Mr. WELD. Well, that is exactly where you made your mistake. and we could have straightened you out in a jiffy if you had asked us.

Mr. ANDERON. I asked you for information which I did not get.

Mr. WELD. You asked for information on that particular point?

Mr. ANDERSON. I asked you for your per head figures. yes. I asked Mr. Swift in a letter the basis upon which you arrived at your per head figures, and I was referred to your yearbook.

Mr. WELD. We gave you the figures.

Mr. ANDERSON. I was referred to your yearbook.

Mr. WELD. Yes; did you ask for our figures for 1903 and 1904?

Mr. ANDERSON. I certainly did not, and I will tell you the reason I did not. The reason I did not ask for those figures was because I thought I had them all right, and another reason was because the Commissioner of Corporations found in 1905 your cost figures in every instance were above the actual costs, and so much so that in every instance your transactions showed a loss.

Mr. WELD. Our figures did not show a loss.

Mr. ANDERSON. The Commissioner of Corporations said your figures were not accurate cost figures and in every case they were above the actual cost.

Mr. CHAPLIN. He says we made money at 80 cents a head.

Mr. ANDERSON. What was the use of asking you for figures of that kind?

Mr. CHAPLIN. If you had told us you wanted figures to compare with these figures in 1904, we could have matched them up for you.

Mr. ANDERSON. Well, trot them out.

Mr. CHAPLIN. We have; we are going to.

Mr. WELD. I already gave you this morning the figures that are comparable with that 1.992.

Mr. ANDERSON. That shows a very marked increase, does it not?

Mr. WELD. It shows that up to 1918 the cost per head had increased less than twice, in spite of all these increases.

Mr. ANDERSON. In nineteen hundred and what?

Mr. WELD. In 1918 the cost per head was less than double. For 1919 it was less than treble.

Mr. ANDERSON. That is assuming that your item of killing and dressing includes all of the items which are included in these figures in the 1905 report.

Mr. WELD. They cover just the expense up to the time that the goods are shipped from the plant. That is what the 1905 figures include. Our figures of $9 or $10 or whatever it is include the expense not only of putting through the plant and shipping from the plant, but the freight to the branch house and the operation of the branch houses and the operation of delivery trucks to the door of the retailer.

Mr. ANDERSON. But the people pay for the cost of operating those branch houses just the same as they pay the expense when you sell direct, and there is no difference.

Mr. WELD. The difference is that your figures there are noncomparable and incorrect. That is the point I am trying to make. I do not expect you to admit it, but I am trying to at least get it in the record that they are incorrect.

Mr. ANDERSON. I have no objection to your saying they are incorrect as often as you please.

Mr. TINCHER. Why do you not expect him to admit it?

Mr. ANDERSON. I do admit that the branch-house expense and the freight are not included in the first figures, and said so in my statement.

Mr. WELD. You said in a parenthetical remark:

> And this figure includes, in addition to what is included in these other figures, evidently—the cost of freight and branch-house expense.

That is very true, and that is the only protection you have. Then you go on in a flat statement and say that the expense per head has increased four times, based on the figures in this table which you give, and you put the items against refrigeration and shipping, administration and selling, etc., making an absolutely false comparison, so that those tables as they stand are incorrect, and the conclusion you have drawn from them is incorrect.

Mr. ANDERSON. Well, the tables are not incorrect with the statement I made with reference to them.

Mr. WELD. You have set those tables up as though that item of refrigeration and shipping, for example, of 0.5731 is comparable with the figures for 1918 and 1919. They represent entirely different matters. The item for 1918 and 1919 includes freight. That is the principal thing in there. The freight is not in the 1903 item at all.

Now, we promised to furnish you this morning figures showing that in spite of this increase in handling per head, the live-stock raiser is paid a larger proportion of the final price now than he was then, and I will ask Mr. Chaplin to submit those figures and explain them.

Mr. ANDERSON. You do not claim that Armour & Co. had any branch-house expense in 1905, do you?

Mr. CHAPLIN. You mean Swift & Co.?

Mr. ANDERSON. I am talking about the expense per head of handling and you are talking about comparable figures.

Mr. CHAPLIN. Yes; we had the expense of handling through branch houses the same as now.

Mr. WELD. We are saying that branch-house expense and the freight to market are not included in that 1903 figure.

Mr. ANDERSON. That is what I say.

Mr. WELD. Although it appears in that table at the bottom of the page as though it was, and as though those figures are comparable.

Mr. ANDERSON. No; it does not appear that way in the statement at the bottom of the page, if you will read the whole statement. Of course, if you read it the way you do, then it does.

Mr. WELD. Look at your conclusion in the sentence where you say:

> I am simply making this statement for the purpose of showing that in spite of the volume which is now, if my recollection serves me correctly, about six times what it was in 1903—the cost of handling a head of cattle has increased about four times.

Mr. ANDERSON. Well, it has increased over three times.

Mr. WELD. Up to 1918 it had not increased twice and up to 1919 it had not increased as much as three times.

Mr. ANDERSON. Assuming your figures.

Mr. WELD. Assuming that they are correct; yes. We will be willing to satisfy you that they are, if you are not satisfied now.

Mr. CHAPLIN. This statement I would like to have put in the record. It is a similar statement to the one that appears on page 39 of part 1 of this hearing, except that in the case of the figures for the year 1904 as reported by the Commissioner of Corporations, I have added to the receipts of meat 5.28 to cover the freight, branch house selling expense, and icing.

Mr. ANDERSON. Where do you get that?

Mr. CHAPLIN. That is from the report of the Commissioner of Corporations.

Mr. ANDERSON. Where do you find it?

Mr. CHAPLIN. I think it is on pages 253, 254, 255, 256, and 257. On page 254 he says:

> Broadly speaking, the average commission rate or branch house selling expense is approximately 45 cents per hundred pounds.

On page 256 he says:

> The true average freight paid by one of the leading packers upon beef shipped from his several packing plants to all local markets during six months was found to amount to 39 cents per hundred pounds.

And on page 257 he says:

> The average expense of reicing for all beef is only from 2 to 3 cents per hundred pounds.

Those three items together make a total of 87 cents per hundredweight, and the average weight of the animal is 607 pounds.

Mr. ANDERSON. That is very much higher than the average weight of the animal you are taking for the per head figures that you are comparing this with.

Mr. CHAPLIN. Yes, sir.

Mr. ANDERSON. More than 100 pounds higher.

Mr. CHAPLIN. About 100 pounds.

Mr. WELD. That makes a total for those items of 5.28.

Mr. ANDERSON. Why do you take 607 pounds for comparison where you used a different figure in the other statement?

Mr. CHAPLIN. Six hundred and seven pounds is the actual weight of the animal dealt with in these 1904 figures.

Mr. ANDERSON. I know, but when you are taking per head figures, as a statistician, I should think you would say it was fairer to take a comparable animal. Of course, the cost of handling an animal that dresses 607 pounds is greater than the cost of handling an animal that dresses 487 pounds.

Mr. WELD. Less per pound or less per hundred pounds?

Mr. CHAPLIN. I am dealing with the actual figures as submitted in your table. I am adjusting them so they will be on a comparable basis.

Mr. ANDERSON. The trouble is you have not done it.

Mr. CHAPLIN. Yes; I have.

Mr. WELD. Using exactly the same basis you have, Mr. Anderson.

Mr. CHAPLIN. I have done it correctly.

Mr. WELD. You see, Mr. Anderson, if you had discovered these figures of Mr. Chaplin and had added to them your figures, you would have had a comparable statement.

Mr. ANDERSON. I would still have been off, if I am off at all, on Mr. Chaplin's theory and on your own theory, because I would have an animal which was very much heavier than the animal which is used in your figures for 1918.

Mr. CHAPLIN. No.

Mr. WELD. Then you could have reduced them to a hundred-pound basis.

Mr. CHAPLIN. You would simply have to change your basis of computation and instead of figuring per head you would figure per hundredweight. I made a computation at the bottom here which shows the disposition of receipts from each dollar of sales. In 1904 we paid out for the live animal 85.89 of each dollar of sales.

Mr. ANDERSON. You did what?

Mr. CHAPLIN. We paid for the live animal out of each dollar of sales 85.89 cents. In 1918 we paid 89.56. That is 1.68 cents more and in 1919 we paid 90.04 out of each dollar of sales. That is an increased percentage paid for the live animal in 1919 of 2½ per cent. In other words, we paid for the live animal in 1919 2½ per cent more of the total proceeds than we paid in 1904.

Mr. WELD. In other words, in spite of this increase in the cost of handling per animal, due to increased wages, etc., in 1904, out of our total proceeds from beef and cattle by-products we paid for the live stock only 85 and a fraction per cent, whereas in 1919 we paid 90 per cent out for the live animal.

Mr. ANDERSON. Of course, in that period you had a very considerable development in your by-products business, so that might indicate some saving from the by-products but not necessarily increased efficiency.

Mr. CHAPLIN. That has nothing at all to do with it; absolutely nothing to do with it. It is purely a question of expenses and profits.

Mr. WELD. If what you said were true, though, it would be a pretty good condition that large-scale production, resulting in better utilization of by-products, had resulted in benefits to the producer.

Mr. ANDERSON. I am not able to follow those figures as they are read.

Mr. CHAPLIN. I will show them to you. We paid out for expenses and freight in 1904, 12.7 out of each dollar of soles. In 1918, 9.46: and in 1919, 10.3; in other words, we paid out in 1918 and 1919 a smaller percentage of the returns than we paid in 1904. The amount that has remained out of the dollar as packers' profits in 1904 was 1.41 cents; in 1918, it was ninety-eight one-hundredths cent, less than 1 cent, and in 1919 it was a loss of seven-tenths of a cent.

Mr. WELD. In other words, these figures show just exactly the opposite of what you were trying to prove by the figures that were not comparable.

Mr. ANDERSON. I do not think the per head figures are worth anything, as far as that goes.

Mr. WELD. Well, you used them in your report.

Mr. ANDERSON. I used them as far as I had any figures on that proposition. I used what figures I had.

Mr. CHAPLIN. But you can not change the figures showing the disposition of the dollar receipts. That can not be changed in any manner by any other method of computing it because that is based on the dollar and not on the head.

Mr. ANDERSON. It is based on the dollar and not on the head and it makes a certain amount of difference in determining the cost of handling cattle, for instance, how you allocate the expenses for administration, branch house expenses, etc., to your different classes of products.

Mr. CHAPLIN. I think we are handling that correctly. I do not say we are handling it perfectly but we are handling it correctly. We do business on it, anyway. We buy and sell hundreds of millions of dollars' worth of goods a year on the basis of the way we keep our figures.

Mr. WELD. I want to take up next Mr. Anderson's——

Mr. ANDERSON. Just one minute. This statement is per dollar of sales.

Mr. CHAPLIN. Yes, sir.

Mr. ANDERSON. And you want this statement to go in the record?

Mr. CHAPIN. Yes, sir.

Mr. ANDERSON. All right.

(The statement referred to follows:)

Comparison of cattle profits per head.

	1904, 3 packers.	1918, Swift & Co.	1919, Swift & Co.
Paid for live cattle	$48.58	$92.70	$102.82
Received for meat	39.32		
Add expenses deducted [1]	5.28		
	44.60	81.45	88.21
Received for by-products	11.96	22.06	25.59
Total	56.56	103.51	113.80
Remaining for expenses and profits	7.98	10.81	10.98
Expenses	1.90		
Add expenses deducted [1]	5.28		
Total	7.18	9.79	11.68
Profit per head	.80	1.02	[2] .70

[1] 607 pounds, at $0.87 per hundredweight=$5.28 (freight, $0.39; branch house selling expneses, $0.45; icing, $0.03).

[2] Loss.

Disposition of receipts from each dollar of sales.

	1904	1918	1919
Paid for live animal	$0.8589	$0.8956	$0.9040
Paid for expenses and freight	.1270	.0946	.1030
Remaining as packer's profit	.0141	.0098	[1] .0070
	1.00	1.00	1.00
Decrease in spread since 1904 per cent		1.68	2.52

[1] Loss.

Mr. **Weld**. I want to take up next that question you asked, Mr. Anderson, about why the price of by-products went up while the price of cattle was coming down. That has come up a number of times. I have always said I was going to come to that sooner or later and would be very glad to explain it, because it is one of the best evidences that supply and demand, working out through competition, determine the prices of live-stock products.

Mr. **Anderson**. Before you go into that I would like to ask you if Swift & Co. or any of the other big five prior to July 1, 1919, furnished any statement to any committee as to their profits on hogs, sheep, or cattle.

Mr. **Chaplin**. Yes, sir; we furnished the Federal Trade Commission a statement of all of those things, and we also furnished them complete, detailed reports of our profit and loss on every branch of our business. I can furnish you with one of our pamphlets in which those figures are shown.

Mr. **Weld**. You will find it in summary and part 1 of the Federal Trade Commission report, pages 420 to 421. Shall I go ahead?

Mr. **Anderson**. So far as I am concerned.

Mr. **Weld**. Mr. Anderson undoubtedly referred to the fact that last spring, when the price of cattle was falling, the price that we obtained for by-products——

Mr. **Anderson**. Just before you go into that, you are furnishing a lot of figures here, and I would suggest or I will ask that you furnish from your own books the figures which you have furnished here from the report for the year 1904.

Mr. **Chaplin**. Yes, sir; we will do that if we can find them, and I think we can.

Mr. **Weld**. I was saying that last spring, when the price of cattle was falling, the price received for by-products was advancing. The principal reason why the price we received for by-products was advancing was that hides, which are the principal by-product from cattle, constitute a very large proportion of the total earned from by-products, were advancing at that time very rapidly.

Now, why did the price of hides advance? There has been an insinuation that the packers arbitrarily forced up the price.

Mr. **Purnell**. What percentage of the by-products is the hide?

Mr. **Chaplin**. About 75 per cent.

Mr. **Weld**. Now, why did the price of hides advance last spring? It was due to world conditions in the hide and leather market. The war was over. During the war vast quantities of leather had been used up both in shoes and in military equipment, and especially the central nations of Europe had used up their supplies of leather very largely and had not been able to get supplies from the outside. When world trade was opened again there was a tremendous demand for hides and leather, and there resulted what you might call a world shortage of hides and leather as compared with that tremendous demand.

Now, the fall in cattle prices at that time was due to the lack of foreign demand—as I have already explained, the practical disappearance of the export market for beef. As you know, we had been exporting large quantities of beef during the war. That was an abnormal situation, because before the war beef exports had practically ceased. After the war closed, the foreign market for beef disappeared, and consequently, with that large element of demand cut out, the price of cattle fell. The price of hides, however, at the same time, due to the world shortage of hides and the great demand for hides and leather, went up.

As I have explained before, phenomena of that sort are occurring with respect to our products all the time. It is the same thing as happened in connection with that pork-loin business. The demand for fresh pork continued heavy and the supply short, and the price stayed up while the prices of the other products from the hog went down.

The prices of the different products from cattle or from hogs vary very greatly with respect to each other, and this hide situation last spring is as good an example as you can find of that.

Mr. **Purnell**. Did the price of your by-products other than the hides advance at the same time?

Mr. **Weld**. Do you know, Mr. Chaplin?

Mr. **Chaplin**. I think the fats, oil, and tallow did for a little while.

Mr. **Tincher**. Well, you manufacture meat meal, or something of that kind, which is fed back to the hogs, and the price of that went up.

Mr. CHAPLIN. The tankage?

Mr. TINCHER. Yes.

Mr. CHAPLIN. That has gone up recently.

Mr. TINCHER. It went up from March to July, too.

Mr. CHAPLIN. I do not remember that far back, but I know recently it has gone up. The ammonia market has gone up very largely. There is a shortage of ammonia for fertilizer use, and this digestive tankage can be used either for feeding purposes or for fertilizer purposes.

Mr. WELD. As I have already explained to the committee, the return from cured hides and other prepared by-products, such as refined oleo oil, etc., are included in figuring our profit on beef, and the diagram in our yearbook, pages 32 and 33, shows that during this time last spring, except for about three weeks in May, we were losing money steadily for several weeks on beef, including the return from the hides.

Mr. ANDERSON. Yes; but you lost your money when the market was high and not when it was low.

Mr. WELD. We lost our money while the price of cattle was high; yes.

Mr. ANDERSON. And while the price of beef was high; just as soon as it got down you began to make something.

Mr. WELD. We began to make a little bit; not enough to bring us out of the profit side for the year, and possibly the increase in hides did help us to get on the profit side—I hope so; but the point is that, even including the return from hides and other by-products—well, for the whole year, as I have said—for that period there was a decided loss and even after we got to making a profit it was only a small fraction of a cent for beef, including the return from the hides.

Now, we take into consideration the value of the hide in making our bids on cattle and deciding how much we can afford to pay for cattle and if the hide market goes up substantially that means that we are paying more for cattle or we are selling beef for less than we otherwise could afford to. Competition forces us to do that, so that the increased return from hides resulted in a narrower spread between the price of live cattle and the price of beef than would otherwise have occurred.

Mr. ANDERSON. Which is the fact—there seems to have been a dispute between some of you gentlemen as to whether the price you pay for live stock depends on what you get for the beef and hides, etc., or whether the price you get for the beef, hides, etc., depends on what you pay for the cattle.

Mr. CHAPLIN. There is absolutely no dependence of the one on the other. It is the market condition. We buy at the market and sell at the market. It is not a mathematical thing at all.

Mr. ANDERSON. But Mr. Weld has just been telling us that when the price of hides is higher, then you pay more for the beef.

Mr. CHAPLIN. He said that we are compelled by competition to pay more.

Mr. ANDERSON. This chart you have in here shows that you did not, in this instance at least.

Mr. WELD. No; it does not. That means that, although the price of cattle was declining, we were paying more for cattle than we could have afforded to pay if the price of hides had not been going up.

Mr. ANDERSON. If the price of hides had stayed stationary during this period, you would have paid less for cattle than you did.

Mr. WELD. Undoubtedly, because we take the value of the hide into consideration in deciding what we can afford to bid for cattle.

Mr. CHAPLIN. Our cattle buyers get the price of hides every day, and if hides go up they know it immediately and they are buying hides as well as beef.

Mr. ANDERSON. It does not seem to have had any effect on the price of cattle in this particular instance.

Mr. CHAPLIN. Yes; it prevented it from falling.

Mr. WELD. It would have fallen more, especially if hides had been going down instead of up. The price of cattle would have fallen more than it did. I do not say that there is any way you can measure that in actual dollars and cents, especially as it is reflected in the price of beef as well as the price of cattle. You can not tell which it affects the more.

Mr. ANDERSON. All I am able to get out of these charts is that it shows that the price of pork loins is up and the price of hogs is down, and the price of hides is up and the price of cattle is down. There must be a special providence watching over the packing industry.

Mr. CHAPLIN. Oh, no; we know what is going on every day and we are buying and selling to try to make a profit. If hides go down we try to sell meat higher or buy cattle cheaper. We do the best we can. We buy at the market. It is no providence, but it is just a matter of quick attention to the details. If you are not on the job every minute you will lose your packing house. That is why these small packing houses do not succeed, because they are not on the job. You can not loaf in the packing business when you are buying and selling.

Mr. ANDERSON. Some of these small packers do not have the volume of business or sufficient control to have things go up or down at the psychological moment.

Mr. WELD. We have not any such control either.

Mr. CHAPLIN. We have no control over it either. The small packers, as a rule, have closer control and better management, taken as a whole, than these big ones; that is, the manager himself is on the job.

Mr. ANDERSON. I know that, but that does not gibe with the statement you have just made that the reason the small packer was not able to do this was because he was not always on the job.

Mr. CHAPLIN. I say that the reason some small packers do not succeed is because they have not got competent management.

Mr. WELD. Likewise those that do succeed have competent management.

Mr. ANDERSON. Well, that is pretty generally true in all business.

Mr. CHAPLIN. It is especially true in our business. If you are not on the job every minute and if you are not competent, you do not last very long.

The CHAIRMAN. What did you say was the cause of the high price of leather?

Mr. Weld. The cause of the high price of leather last spring was a world condition.

The Chairman. In 1917, for instance, was it due to shortage or was it due to profits exacted by the packers or those engaged in the business?

Mr. Weld. The price of leather was not abnormally high until the spring of 1919. Of course, leather has been high, with other things, for the last three or four years, but the tremendous increase in the price of leather was last spring—the tremendous increase in the price of hides and leather, and that was due to a world condition—the using up of leather during the war and the enormous demand after the war, and the relative shortage as compared with that demand which forced the prices of hides and leather way up.

The Chairman. What do you consider a fair profit in the leather business and in the tanning business?

Mr. Weld. I do not know; but the only way you can get at a fair profit is over a series of years. The tanning business is a business of tremendous ups and downs. It will have one or two or three very good years, and then one or two or three very poor years, and you can not judge the profitableness of the tanning industry and you can not judge the profitableness of any industry by looking at its profits for one year or even two years or three years. The tanning business has been profitable in the last year or two. There is no doubt about it. On the other hand, before that, they had two or three bad years.

The Chairman. When you say "profitable," what do you consider profitable? What percentage would you figure on as profitable?

Mr. Weld. Well, it is hard to say.

The Chairman. Would it be 100 per cent or what?

Mr. Weld. I will say that if a concern made from 25 to 50 per cent on its investment, on its net worth, that that would be very profitable, and you will find the Federal Trade Commission report on the shoe and leather industry gives the profits made by a large number of tanners.

The Chairman. On page 15 is a letter dated January 17, 1917, from the Eastern Leather Co., to Mr. F. W. Croll, of Armour & Co.:

> We are inclosing our check on the National City Bank, New York City, payable to Mr. J. Ogden Armour for $915,787, same being a dividend of 53 per cent on the 17,279 shares of common stock standing in his name. In addition to this and in accordance with our conversation when in Chicago, we have set aside as a surplus $250,000 which represents 10 per cent on the common stock.

That makes your profit 53 and 10 per cent or 63 per cent. I understood you to say that the profits on the leather would in a degree help out profits on the whole business. Now, let us see about that.

Mr. Weld. Let me comment on that a moment before you go ahead. I know nothing about that case but I should judge that probably whatever company that is, that it is probably greatly undercapitalized. It is probably something like the 253 per cent that Morris made on his capital stock.

The Chairman. Let us see: On page 16 is a memorandum of May 15, 1917, from J. D. Murphy to Mr. H. W. Boyd, president of the Armour Leather Co.:

> Mr. H. W. Boyd:
>
> Herewith comparative statement of results in the leather business for the three months ending April 28, showing earnings of $1,964,945.18—

Mind you, three months, or one-quarter of a year—

> This does not include Woodstock, as we have not finished enough of our own leather up there to make a loss and gain result of any value as indicating the possibilities of the plant.

In three months the profits were $1,964,000. If the other nine months kept up with the first three months you would have a profit of nearly $8,000,000.

Mr. WELD. That means absolutely nothing.

The CHAIRMAN. That is just a side issue, as I understand, of the packing house.

Mr. CHAPLIN. That is hardly a fair way to put it.

The CHAIRMAN. I think that $8,000,000 should be deducted from your $33,000,000.

Mr. CHAPLIN. That was not Swift & Co., and I do not think you should say that it should be deducted from our figures.

The CHAIRMAN. That is true; this is Armour.

Mr. CHAPLIN. And I do not think that is quite a fair statement.

The CHAIRMAN. What is Armour's capitalization?

Mr. CHAPLIN. I think it is hardly fair to say that because you made so many dollars in one month that if you multiply it by 12 you get what you made for the year, because the business has ups and downs.

The CHAIRMAN. I said it was for the first three months.

Mr. CHAPLIN. Yes; and the business has ups and downs.

The CHAIRMAN. What I am trying to get at is to find out something about these profits, where you are getting all these profits, and why are you not making anything on the stockyards?

Mr. CHAPLIN. We do not say we are not making anything.

The CHAIRMAN. You are reported to have made $33,000,000, which is 33 per cent profit, is it not?

Mr. CHAPLIN. No; it is not. It is 11$\frac{2}{10}$ per cent profit. I have put in the record a detailed statement of that. Mr. Haugen, and I have it here.

The CHAIRMAN. But you say that is 70 per cent.

Mr. CHAPLIN. That represents 70 per cent.

The CHAIRMAN. That would figure about 18 per cent, would it not, on your 70 per cent and 50 per cent on your other 30 per cent.

Mr. CHAPLIN. No; I do not think so.

The CHAIRMAN. Well, what is the capital stock?

Mr. CHAPLIN. Of Swift & Co.?

The CHAIRMAN. Yes.

Mr. WELD. You mean now the capital stock of Swift & Co.?

The CHAIRMAN. Yes.

Mr. WELD. $150,000,000.

Mr. CHAPLIN. In 1918 our capital and surplus was about $200,000,000.

Mr. WELD. Net worth.

The CHAIRMAN. Thirty-three per cent would be $49,000,000, would it not?

Mr. CHAPLIN. $49,000,000?

The CHAIRMAN. Yes; 33 per cent of $150,000,000.

Mr. CHAPLIN. We only made 11 per cent. We did not make 33 per cent in 1918.

The Chairman. I am going by this report here. You are deducting everything under the sun. You are taking out taxes and everything else.

Mr. Chaplin. It is entirely proper that we should take out interest and taxes.

The Chairman. Let us have the net profits outside of the taxes.

Mr. Chaplin. I am talking about the net profits.

The Chairman. You deduct the taxes.

Mr. Chaplin. Yes; we deduct the taxes.

The Chairman. That is an unusual thing.

Mr. Chaplin. It is quite common in business concerns.

The Chairman. We all expected to pay taxes, especially in the year 1917.

Mr. Weld. Do you not deduct your taxes in figuring out what your net income was for 1917?

The Chairman. Not in figuring profits. That is not taken into consideration in figuring profits. You figure your profits on your capital and your taxes come in later. Your profits come along about the 1st of January and the taxes along in March.

Mr. Weld. I think we would mislead our shareholders if we told them we had made 33 per cent.

The Chairman. Do you pay the taxes of your stockholders?

Mr. Weld. We pay the company taxes.

The Chairman. Do you pay the income taxes?

Mr. Weld. We pay the income and excess-profits taxes.

The Chairman. You pay whatever is taxed up against the corporation.

Mr. Weld. Against the company; yes, sir; and we would mislead our shareholders if we told them the company had made in 1918 $33,000,000.

The Chairman. As you know, the practice differs. Take, for instance, a national bank. I presume in a number of instances the banks pay the taxes, but in most instances they do not, and it is taxed up to the stockholders. In my State it is taxed up to the stockholders.

Mr. Hutchinson. Mr. Weld, may I ask you a question?

The Chairman. Did I understand you to say that you furnished a statement of what your profits were on butter, poultry, cheese, and eggs?

Mr. Chaplin. We have furnished that.

The Chairman. And on the other goods?

Mr. Chaplin. We have furnished to the Federal Trade Commission in detail that statement. They have a detailed statement of all our profits. I can furnish it to you.

The Chairman. On each one?

Mr. Chaplin. On each kind of goods we handle. I can furnish you a copy of that if you wish to have it.

Mr. Weld. Just on that point, with reference to the leather profits—just a second, Mr. Hutchinson—the Federal Trade Commission report on the leather and shoe industry, on page 28, shows that the profits for 50 tanning companies were 12.9 per cent, according to their investigation for 1914; 16.5 per cent in 1915; 33.8 per cent in 1916; and 25.7 per cent in 1917.

The CHAIRMAN. Based on a report made by the corporation?

Mr. WELD. I think this is information——

The CHAIRMAN. It is not based on an examination of the books.

Mr. WELD. I think it is the report of the Federal Trade Commission obtained from these different companies.

The CHAIRMAN. Did you say the Federal Trade Commission report?

Mr. WELD. Yes, sir.

The CHAIRMAN. I beg you pardon.

Mr. WELD. Did you have a question, Mr. Hutchinson?

Mr. HUTCHINSON. I was going to ask you a question.

The CHAIRMAN. What page number is that?

Mr. WELD. Page 28 of the report on the leather and shoe industries.

Mr. HUTCHINSON. Mr. Weld, I wanted to ask you if this 11 per cent profit was on all your business, all your egg business, fertilizer, and everything else.

Mr. CHAPLIN. Yes, sir; everything we handle.

Mr. HUTCHINSON. You are not in the grain business?

Mr. WELD. No, sir.

Mr. HUTCHINSON. You are not like Armour in that respect?

Mr. WELD. No, sir.

Mr. HUTCHINSON. You are in the fertilizer business and different grades of food materials?

Mr. WELD. Yes, sir; and soap and glue.

Mr. HUTCHINSON. In other words, if you lose money on the meat, you make it up on something else.

Mr. CHAPLIN. If we can.

Mr. MCISAAC. That does not include leather?

Mr. CHAPLIN. Yes, sir; that includes leather.

Mr. MCISAAC. The National Leather Co.?

Mr. CHAPLIN. In 1918 it did.

Mr. WELD. Eleven per cent in 1918 does include leather.

Mr. ANDERSON. None of your figures for 1919, which show a considerable reduction from your figures for 1918, include either the National Leather Co. or the Swift International, both of which were at least partially included in 1918.

Mr. WELD. Nor Libby, McNeill & Libby.

Mr. ANDERSON. Are you able to state what the profits of those concerns were so that we can get a real comparison of 1918 with 1919?

Mr. CHAPLIN. We have no means of getting those. I might say that our sales, however, in 1919, totaled $1,200,000,000 and more, and our profit only amounted to 1¼ cents on each dollar.

Mr. ANDERSON. Your sales were just as much after taking off the Swift International and Libby, McNeill & Libby and the National Leather Co., as they were before?

Mr. CHAPLIN. Yes, sir.

Mr. WELD. Practically.

Mr. CHAPLIN. But the fact those are not included might have a significance for comparison but it has no particular significance when you are considering our 1919 basis. There is a business that did over $100,000,000 a month and only made 1¼ cents on each dollar of sales.

Mr. Weld. And 7 per cent on investment.

Mr. Chaplin. It is a very uncomfortably close margin.

Mr. Anderson. It might not have been so close if you had included these other companies.

Mr. Chaplin. But what have they got to do with our business? They have nothing to do with it at all. We sold for a dollar what cost us 98⅝ cents, and it is too close.

Mr. Anderson. I do not know how these separations were accomplished between Swift & Co. and Swift International and Libby, McNeill & Libby. I do not know whether it was a real separation or a paper separation.

Mr. Chaplin. It is a real separation. You can buy the shares on the stock exchange if you desire to share in the profits, and you will share just the same as the largest shareholder.

Mr. Anderson. It would not be much of a separation if you simply made them two corporations instead of one with the same shareholders in both corporations.

Mr. Chaplin. The shareholders are not exactly the same. The control may be more or less the same, but the shareholders are different.

Mr. Hutchinson. The stock has been advertised in the papers and anybody can buy it.

Mr. Chaplin. Anybody can buy it who wants to. It is bought and sold on the Chicago and Boston exchanges.

Mr. Tincher. They can buy how much of it?

Mr. Chaplin. You can buy any quantity of it. You can buy all you want to buy.

Mr. Tincher. That is true of Swift & Co. and of Armour & Co.?

Mr. Chaplin. Any one who thinks——

Mr. Tincher (interposing). Your idea is that if they do not like the way the packers run the thing they can buy them out.

Mr. Chaplin. If you think Swift & Co. has concealed profits or is making more than they say, you can go on the market and buy the shares and you can share in the profits just the same as L. F. Swift does.

Mr. Tincher. Are you posted on this leather company that Armour & Co. have organized lately?

Mr. Chaplin. No, sir.

Mr. Tincher. Speaking of buying shares made me think of that. I see that they are selling a $25,000,000-stock issue and they are keeping a small per cent of the stock themselves which is not being sold, with a voting power equaling the other stock and the dividends on this $500,000 of stock is to be equal to the dividend on the total stock issue. It would not be very satisfactory to a man who is dissatisfied with the way the leather business is being handled to try to buy into that company and stop it.

Mr. Chaplin. No; and he does not have to buy the shares if he does not want to.

Mr. Tincher. No; he does not have to buy the shares but he has to buy shoes, and they are not going to sell shares of stock in a company and not let it pay a reasonable dividend.

Mr. Chaplin. That has nothing to do with the profits.

Mr. Weld. That has absolutely nothing to do with the profits. You are saying that they have the power to get whatever prices they want to for their leather. The Federal Trade Commission report shows that the leather interests of the five large packers handles only about 17 or 18 per cent of the total leather output of the United States, and the packers are in competition in producing that 17 or 18 per cent. Swift & Co.'s proportion of the total leather output of the United States is only about 8 or 9 per cent of the total, and there is leather imported, especially goat and kid skins which are used very largely in shoes, which also comes in competition with the leather output of the United States as a material for making shoes. The market for leather is a world market; the market for hides is a world market; and there is absolutely no ability on the part of the individual packer or even on the part of the five large packers, if they tried to work together, to affect the leather or the hide market.

Mr. TINCHER. Now, that is a good statement, but let us see about it. You spoke about buying stock if a man did not like the way things were run. Now, I want to know if it is your position as a representative of Swift & Co. to say that conditions are all right where Armour & Co. can put over this leather company that they have just recently organized. For instance, as I understand it, and if I am wrong you will tell me, they are incorporated for $25,000,000. They are keeping one-half million dollars of the stock and they are selling the other $25,000,000 at a premium, which money, of course, will go into the treasury. Their half a million dollars worth of stock has voting power of a little over one-half, so that they control the corporation under the terms of the organization of the corporation, and I think probably they used the New Jersey law or the law of some State that permits that kind of business probably in order to get the corporation fees for their own State.

Mr. HUTCHINSON. Like Delaware.

Mr. TINCHER. They probably moved to Delaware. I believe somebody did reform the State laws of New Jersey a few years ago. At any rate, it is fixed so that this half a million dollars of stock will draw the same amount in dividends as the balance of the stock. Any dividend that is declared, half of it goes to that half a million dollars of stock and the other half to the balance of the stock in the corporation. Now, while Congress can not regulate every State like New Jersey or Delaware and other States with reference to the kind of charters they shall issue, but you are saying that that is all right, and that is a good kind of a corporation?

Mr. CHAPLIN. No; we do not say so.

Mr. TINCHER. You do not object, do you?

Mr. CHAPLIN. We do not know anything about it.

Mr. WELD. We do not know anything about it, and we have not used any device like that in any corporation that Swift & Co. is connected with, and we do not want to either praise or blame Armour for the arrangement he has made, although I suppose he would answer in this way: "We could have kept this corporation as a family affair if we wanted to and owned the whole business, just as we practically have had our packing plant for generations; but we have seen fit in the case of this leather company to allow the public to participate, if it wants to, under such terms as we are willing to lay down; if they want to come in and buy under those conditions, all right; if they do not, all right."

Mr. TINCHER. Here is the point I make: They do not advertise or claim that they have any such assets as $50,000,000. Their prospectus does not show that they claim assets worth $50,000,000. They only claim to have assets worth $25,000,000, but they say to the stockholder, "You buy this stock and you will get dividends," and they advertise that the dividends will be large, just like the Federal Trade Commission finds the dividends in the leather business have been. Now, what excuse is there for permittting that condition to exist? That is simply levying a toll; that is just doubling the legitimate profits on leather, although you say there is no monopoly——

Mr. CHAPLIN (interposing). They can not make profits by simply doubling the capital stock. Their profits will depend on how they operate the tannery.

Mr. TINCHER. I am not so sure about that. I know something about the Kansas City Stockyards. I had some friends in that, and by doubling their capital stock they were paid all right, when the packers bought them. I think I am safe in saying for the record here that the capital stock of the Kansas City Stockyards was more than doubled without the expenditure of a dollar.

Mr. CHAPLIN. They are not engaged in manufacturing and trading.

Mr. TINCHER. I know that, but we are talking about buying stocks now. You say that one way to fix this packer business is to go on the market and buy out Swift & Co.

Mr. CHAPLIN. No; I do not say so, but I say anyone can buy shares of Swift & Co. if they want to do so, and they will participate in the profits just the same as Mr. Swift.

Mr. TINCHER. Well, I do not concede that, because I would want to see their prospectus, and I expect Mr. Swift will decide how many men he will send to Washington and how many men he will keep in Texas and how many go here and how many go there, and what salaries will be paid, and how many special trains he will use to entertain this bunch and that bunch, and therefore I do not know that stock in that concern would be absolutely desirable. Then he will decide also how much of it will go to surplus and how much of the profits will be issued in stock dividends, and the chances are he will still have something to do with the running of the corporation.

Mr. CHAPLIN. Yes; but you would have your weight as a shareholder, of course.

Mr. TINCHER. But it wouldn't weight much.

Mr. CHAPLIN. But it would weigh just as much as you had money invested and that is about as much as it ought to weigh.

Mr. HUTCHINSON. Is it not a fact that Swift & Co. has assets to show for this stock?

Mr. CHAPLIN. Swift & Co. has assets for every dollar of stock and surplus.

Mr. HUTCHINSON. Whereas this leather company has not assets except a prospectus.

Mr. TINCHER. Yes; it proposes to turn over $25,000,000 of assets to the company and they are only incorporated for $25,000,000.

Mr. HUTCHINSON. And they are selling more than that?

Mr. TINCHER. No; they are just going to sell $25,000,000.

Mr. HUTCHINSON. And they have that much assets?

Mr. TINCHER. But a half million dollars of that stock will have half the dividends and a half a million dollars of the stock will have the control, and when they make the $25,000,000 pay a legitimate profit to the owner of the stock, that will make it a $50,000,000 corporation, practically, but they do not call it a $50,000,000 corporation, although it will pay profits of $50,000,000, and I have no doubt it will do it, because the man or set of men who gets his fingers on the hides first could talk until doomsday and could not convince a man from Kansas, although he might one from New Jersey or Delaware, that they have not something to do with the leather.

Mr. WELD. We are getting very far afield and not pursuing the plan we tried to adopt for to-day.

Mr. MARSH. Mr. Chairman, I had a question right on this profit question, and it is very brief. May I ask it now? I know it will be too late if I do not.

The CHAIRMAN. What is it?

Mr. MARSH. Mr. Weld, if I figure it out correctly from your figures, you have earned for the 23 years since 1896, when your capital stock and surplus was $14,005,000, you have earned an average of about 61 per cent on that original net worth or a total of 200 and odd million dollars. In estimating your profits, is it your idea that you should add each year your earnings and capitalize them and demand a profit upon those earnings however big they are?

Mr. WELD. You are getting back to a fundamental proposition on which the Federal Trade Commission makes the same mistake that you do. It insinuates that there is something illegitimate in reinvesting earnings from year to year and putting them back into the business. That thought has been brought out by the Federal Trade Commission a number of times. We have earned during these last 15 or 17 or 20 years, an average of 11.9 per cent on our investment from year to year. Now, we have paid dividends from 7 to 8 per cent on our capital. I imagine that would be an average of about 6 or 7 per cent on our investment or net worth from year to year, and has been put back into new equipment, new plants, refrigerator cars and branch houses and has improved the equipment for the handling of the business of the country, which has been the way we have largely done to grow and to be able to perform the necessary service in the most economical manner possible. There has been considerable of such money that we have deprived ourselves of taking as stockholders in the form of dividends, allowing it to remain in the business and to go into the form of new plants, new equipment, and so forth, as a perfectly legitimate part of our investment charges, and we have figured our earnings on the basis of our investment so calculated, just as every business does in the country. It is a perfectly legitimate way to do. The consideration of profits on what the original investment was has nothing to do with it at all.

Mr. MARSH. In other words, you think that you should be allowed to pyramid your surplus and to issue stock dividends to make it appear that you are not earning much, and the public has to pay on the surplus pyramided?

Mr. WELD. I am not saying any such thing. I am saying that it is perfectly legitimate to put part of the profits back into the business instead of raising money in other ways. We could have paid out dividends and issued stock and gotten money into the business, but we have put a part of the earnings into the business.

Mr. **Marsh.** You can not blame the producer for figuring in your total earnings and insisting that there is not a loss, whether you claim you are prosperous or not prosperous if you show a profit and asking whether you should have paid the producer more?

Mr. **Tincher.** He gave the average profits for 23 years, and you say that it is absurd to complain of that.

Mr. **Weld.** That is the average profit.

Mr. **Tincher.** He gave it as a matter of figures.

Mr. **Chaplin.** That was on the original investment, 23 years ago. It is just like a farmer who invested $1,000 in land 40 years ago to figure anything that he got out of the farm on the basis of the $1,000 value; that is absurd.

Mr. **Tincher.** I do not believe that is what he meant.

Mr. **Weld.** Yes; that is the thought that was underlying his remarks.

Mr. **Marsh.** No.

Mr. **Weld.** It has been suggested by the Federal Trade Commission, also.

Mr. **Tincher.** I understood that he had gone to the trouble to figure out what you had done in 23 years.

Mr. **Chaplin.** It is not fair to put it that way.

Mr. **Tincher.** You claim that you have not made any money?

Mr. **Weld.** No; we have been making money right along.

Mr. **Tincher.** You have stinted yourselves and the stockholders, and have been pyramiding the earnings?

Mr. **Weld.** We have not been pyramiding; we have just been putting a part of the earnings back into the business, so that we could provide new equipment and new plant, so as to take better care of the production of the farmer, so as to perform the service better and more economically.

Mr. **Tincher.** What is your point?

Mr. **Marsh.** That the average reported profit of Swift and Co. of an original net worth has been for the last 23 years 61 per cent. The point having been raised, may I say this, that I did not take this from the Federal Trade Commission. I have studied these questions for some years.

Mr. **Weld.** I said that the Federal Trade Commission has the same foolish idea as you have.

Mr. **Marsh.** You can not see any good coming out of the Federal Trade Commission. I want to point out that the regulators of the railroads are taking this question up also, the Interstate Commerce Commission and the division of valuation, an exactly analogous question. About half the capital stock of the Pennsylvania Railroad is from surplus earnings, and the Interstate Commerce Commission, in its valuation division, has taken just the position which the Federal Trade Commission has taken with reference to earnings, and which I do, that you have no right to capitalize surplus earnings.

Mr. **Chaplin.** Each year we should pay the shareholders every penny that we earn, and if we need money to run the business, go and borrow it or get new capital.

Mr. MARSH. No; that it is only fair that the manufacturer pay out of big surpluses higher prices to producers, so they will not go out of business, and provide lower prices to the consumers.

Mr. WELD. Our profit has been 2.45 cents on each dollar of sales. We will have to pay more for the cattle and sell the meat for less.

Mr. MARSH. How will it be when you are forced by absolutely free competition——

Mr. WELD. We have been forced by competition to adopt the highest degree of efficiency that we know how to maintain.

Mr. MARSH. Were not the profits of Swift and Armour less than the small packers?

Mr. WELD. I haxe explained all that; they are not comparable at all.

Mr. ANDERSON. I want to call your attention to a place where I think you did yourself an injustice.

Mr. WELD. All right, sir.

Mr. ANDERSON. In the figures which Mr. Chaplin submitted here you show that the expense in the Swift dollar is about 10 per cent—1.6 cents, or something like that—for profits, and that you pay to the producer 89 and 90 per cent, respectively, in those two years, while the dollar in the yearbook showed that you paid to the producers 85 per cent?

Mr. CHAPLIN. The amount that goes back to the farmer in the case of cattle is much larger than that in the case of hogs and sheep, which answers your question.

The CHAIRMAN. The tanners are largely dependent upon the packers for their supply of hides; that is, the Big Five?

Mr. CHAPLIN. About one-half of the hides are imported material. Some of those imported hides are produced in South America, from Russia, from Asiatic countries, and from Africa.

The CHAIRMAN. But they are not the packers' hides; they are a different hide entirely?

Mr. CHAPLIN. No; some of them are very good hides and some are poor. In the United States the five large packers account for probably about 50 per cent of the output of all of the hides produced in the United States.

The CHAIRMAN. Packers' hides?

Mr. CHAPLIN. No; of all the hides produced in the United States.

The CHAIRMAN. There is no comparison between the two.

Mr. CHAPLIN. There is this comparison, that they come in competition.

The CHAIRMAN. The packers' hides are selling for about twice as much?

Mr. CHAPLIN. About 2 or 3 cents difference.

The CHAIRMAN. When the packers were getting 14 and 15 cents. the farmers were getting about 6 or 7 cents at the very best.

Mr. WELD. The price of the hide market, that is, for cured hides, country hides, is much nearer the price of the packer. You can not judge from what the farmer gets.

The CHAIRMAN. When hides were selling for 42 the farmer was getting less than 22.

Mr. CHAPLIN. The farmer gets less for the hides that he takes off.

The CHAIRMAN. There is no comparison between the two: you control over 50 per cent, you handle more than 50 per cent of the packers' hides in the United States and produce about 80 per cent. The proportion in 1916 and 1917 was 8.8?

Mr. CHAPLIN. All the packer hides produced in the United States by the five packers in competition with each other.

The CHAIRMAN. The tanner was absolutely out of the market, because the Big Five had to supply them?

Mr. CHAPLIN. No, sir; absolutely not.

The CHAIRMAN. Where could they get them?

Mr. CHAPLIN. They get them from abroad, about one-half.

The CHAIRMAN. Abroad, but our packer hides, the same thing?

Mr. CHAPLIN. But those hides are not handled in any plant in which the five large packers have an interest.

The CHAIRMAN. Your contention has been, and I presume it is a fact—I know it is a fact—that the packers' hides sell at a great deal more than the others?

Mr. CHAPLIN. The packers produce only about one-half of the hides produced in the United States.

The CHAIRMAN. The packer hides?

Mr. CHAPLIN. But they make leather out of the other hides.

The CHAIRMAN. There are certain tanners that can only use certain hides. Of the packers' hides you have about 80 per cent.

Mr. CHAPLIN. They use the other hides, too, to produce leather and they come in competition with the leather there.

The CHAIRMAN. The tanners that use the packers' hides.

Mr. CHAPLIN. There are few tanners that do not use both kinds.

The CHAIRMAN. But they have to use the same kind; they prefer them because they are better?

Mr. CHAPLIN. A better grade.

The CHAIRMAN. The hide from one steer is better than from another?

Mr. CHAPLIN. No; the best hide comes from the Texas steer. The wilder the animal the better the hide.

The CHAIRMAN. The packers kill the Texas steer, so it is all the same. What is there to the contention that the Big Five control the supply of the tanners? I have been told that the tanners have been absolutely put out of business and that they are at the mercy of the Big Five for their supply.

Mr. WELD. The way to look at that is this: We are at the mercy of the tanners to make an outlet for our hides. That is the principal reason that we had to go into the tanning business ourselves. Take just recently, the last month or two—I do not know, it may have changed in the last week or so, I have not heard for the last week or two—the tanners have not been buying hides. The hides have been piling up in our cellars and we could not get rid of them. That happens once in a while. It is a very serious matter to us because it soon totals up to millions of dollars.

The CHAIRMAN. You own the tanneries, why not tan them?

Mr. WELD. We do as many as we can, sir. I have explained that Swift & Co.'s percentage is about 10 per cent of the leather in the United States; before we formed the National Leather Co. we were consuming about 50 per cent and selling to the outside the other 50 per cent. It would frequently happen that we could not get an outlet for our hides, and so we went into the tanning business so that we could have a continual manufacturing process of the hides, instead of letting them pile up and having the interest charges run on them and waiting until the tanners got ready to buy.

The CHAIRMAN. You speak of one; that is only one of many tanneries controlled by the packers?

Mr. WELD. Of the total output of leather in the United States, the packers only handle about 17 or 18 per cent.

The CHAIRMAN. That is, through their own tanneries?

Mr. WELD. Yes, sir.

The CHAIRMAN. Those in which they are interested?

Mr. WELD. Yes, sir. Those are the figures of the Federal Trade Commission.

Mr. CHAPLIN. For that reason we have had to extend the operations in tanning during the past year. Every year or two the tanners would stop buying hides, stop buying for months. We have to do something with the hides. We can not pile them up because they deteriorate after four or five months. We had to cure them and find somebody willing to take them to tan for us. That is the situation we have confronting us to-day. They stopped buying. We can not sell when people will not buy. We have had to extend our tanning operations.

The CHAIRMAN. That may be the case to-day, but it has not been so in the past.

Mr. CHAPLIN. Yes, sir; it has been the case for the last 25 years. Every few years when money got tight they would stop buying, they would not come around and talk about hides.

The CHAIRMAN. That is true about anything; when they do not have anything to buy with, they can not buy.

Mr. CHAPLIN. Nevertheless we have to buy cattle. With the hides there we have to do something. We have been forced to go out and find buyers, we have been forced to extend the tanning operations. We have been forced into the tanning business. Otherwise we would have to quit buying cattle.

The CHAIRMAN. How about oleomargarine, is that controlled by the packers?

Mr. CHAPLIN. No, sir.

The CHAIRMAN. You say that you are selling to the manufacturers of oleomargarine?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. What?

Mr. CHAPLIN. Oleo oil and neutral lard.

The CHAIRMAN. Oleo oil and neutral lard?

Mr. CHAPLIN. Yes, sir.

The CHAIRMAN. Do you retain for your own use the neutral lard?

Mr. CHAPLIN. No; the neutral lard is not colored. We do retain some of the higher colored oleo oil.

The CHAIRMAN. As to the oil, do you not retain all of it?

Mr. CHAPLIN. No; I do not think so. We retain most of it.

The CHAIRMAN. The contention on the part of the manufacturers of oleomargarine has been that they could not buy a pound of it.

Mr. CHAPLIN. It is not as bad as that.

The CHAIRMAN. That it was reserved by the packers that made it impossible for them to get it?

Mr. CHAPLIN. They hold most of it.

Mr. **Weld.** Suppose we should keep it all—why should we not?

The **Chairman.** It would make a monopoly, that is what they have been claiming.

Mr. **Weld.** Why not, then, pass a law to permit the coloring of oleomargarine?

The **Chairman.** We are discussing this report—this report charges monopolizing. What are the facts?

Mr. **Weld.** We are not monopolizing. There is no monopoly so long as the five packers are in competition.

The **Chairman.** So long as there is competition, is your contention. The contention of the others is that there is no competition.

Mr. **Weld.** They have contended that, but they have not furnished any evidence that there was not competition.

The **Chairman.** We will have to listen very attentively to both sides and then reach a conclusion.

Mr. **Weld.** Yes, sir.

The **Chairman.** You will furnish the committee with a statement as to the butter, eggs, cheese, and poultry?

Mr. **Chaplin.** Yes, sir; I can furnish that.

The **Chairman.** I am advised that the report has not been published. If it is convenient, I should like to have you put it in the record.

Mr. **Chaplin.** Very well. The profits on butter, eggs, cheese, and poultry?

The **Chairman.** All the items; that is, if it is convenient. I do not want to put you to too much trouble.

Mr. **Marsh.** Will you discuss cheese later?

The **Chairman.** I do not think that we had better take up the subject of cheese now.

Mr. **Weld.** Mr. Anderson tried to cast some aspersion on our Swift dollar which shows the profit of 1.6 cents on each dollar of sales.

Mr. **Anderson.** I did not try to cast any aspersions on the Swift dollar or anything else.

Mr. **Weld.** As a matter of fact, it makes it an easy matter for us to keep the record of our total sales and our total profits, and so is not a very complicated matter. We have had it certified by public accountants. The reason I am speaking of this now is to insert the table, showing on what the Swift dollar is based, and please remember that it covers the whole meat business of Swift & Co., and not just the cattle industry.

(The table submitted by Mr. Weld follows:)

Swift & Co. meat-dollar statement, fiscal year, 1919.

	Amount.	Per cent.
Sales or shipments	$985,383,752.11	100.00
Cost of sales or shipments	841,805,916.37	85.43
All expenses	127,991,669.54	12.99
Gross results	15,586,166.20	1.58
Interest, $8,800,784.68 (0.89 per cent)	8,800,784.68	
Taxes, Federal and foreign, $560,000 (0.06 per cent)	560,000.00	
	9,360,784.68	.95
Net profits to stockholders	6,225,381.52	.63

Net profit to stockholders, sixty-three one hundredths of a cent on each dollar of sales.

Mr. ANDERSON. Which Swift dollar are you talking about?

Mr. WELD. The Swift dollar for 1919.

Mr. ANDERSON. For 1919?

Mr. WELD. Yes, sir.

Mr. ANDERSON. That is the most favorable one that you have had for some time in the run of small profits?

Mr. WELD. A little more favorable than the year before.

Mr. ANDERSON. You are endeavoring to show that you made a small profit for that year?

Mr. CHAPLIN. For 1918 it was 2.4 cents.

Mr. ANDERSON. For 1917 your dollar would have shown a still larger profit?

Mr. CHAPLIN. About 4 cents.

Mr. WELD. And for 15 years 2.5 cents.

Mr. TINCHER. I have got to get some figures. I never could understand how a concern could progress and take up side lines and do everything on these percentages.

Mr. WELD. If you will study these financial statements for 1916 and 1917 you will see how it can be done.

Mr. TINCHER. On that per cent?

Mr. WELD. Yes, sir.

Mr. TINCHER. If it can be done that way, a man can take a $10,000 hardware store and could carry it on 2 per cent every year and take out everything?

Mr. WELD. We do not take out anything except legitimate expenses. We have to pay interest on capital—that is, dividends to stockholders—out of that.

Mr. TINCHER. But what I can not understand is how you have been able to extend all of these plants on this small profit?

Mr. CHAPLIN. With our sales at, say, $1,200,000,000, at 1 per cent would have been $12,000,000, and if 2 per cent, $24,000,000.

Mr. TINCHER. You figure your profit on your sales?

Mr. CHAPLIN. Yes, sir; 2.5 cents out of each dollar.

Mr. WELD. Both ways—on the sales and on the investment.

Mr. MARSH. Is that on the turnover?

Mr. WELD. 2½ per cent is on the sales or turnover, as sometimes called, and on the investment 11 per cent for the last 20 years.

Mr. MARSH. On the other hand, to bring Mr. Tincher's point out, your turnover is how often a year?

Mr. CHAPLIN. Three and a half times.

Mr. WELD. I am coming to that. This is the fourth time that you have asked me that question, and I have told you that I was going to take it up.

Mr. TINCHER. Has it ever been answered?

Mr. WELD. No, sir.

Mr. TINCHER. He is certainly entitled to an answer after three times.

Mr. WELD. I told him that I had a place prepared in my notes for definitely taking that up.

Mr. MARSH. I will withdraw that.

Mr. WELD. I am just about to take up a new topic and I better stop here since Mr. Hastings promised to go on at 4 o'clock and it is now two or three minutes after 4 o'clock.

Mr. TINCHER. May I ask, are any of Mr. Armour's men here? They are coming before the committee, I suppose?

Mr. WELD. I do not know whether they are here or not. I do not think there is any representative of Armour & Co. here; there has been part of the time.

Mr. MCLAUGHLIN of Michigan. Is some other witness going to take your place now?

Mr. WELD. Yes; Mr. Hastings is going to take my place.

STATEMENT OF MR. FRANK S. HASTINGS, MANAGER S. M. S. RANCH, STAMFORD, TEX.

Mr. HASTINGS. The owners of the S. M. S. Ranch, producers of cattle, ship largely in small lots to the corn belt. I spent 12 years of my life, from 1890 to 1902, in the packing business, on the trade-extension side of the business. From 1902 to the present time I have spent my life in the producing side, and have devoted myself to the study of the economic production of cattle and economic methods of marketing cattle.

I represent only Swenson Bros.; I do not represent anyone else, and we come here on our own initiative.

I have come here with the thought that you wanted me to focus to the immediate legislation, the bill No. 6492. I have made some marginal notes on that bill, and I would like to focus to it, taking it up by sections. I will try to talk rapidly and take as little of your time as possible, but I beg that you will grant me the privilege of making a continuous talk on the subject, and then I shall be glad to answer any questions that you may see fit to ask.

Mr. MCLAUGHLIN of Michigan. We will try to comply with that request.

Mr. HASTINGS. There is only one further statement that I would like to make, because it enters so vitally into why I have formed my economic conclusions. This is a very widely distributed pamphlet, focused to our business, under the head of S. M. S. Distinct Business. I beg that you listen to two or three lines, because I want you to get an idea of just what our business is:

> In the past few years we have been designated very freely as doing a mail-order cattle business, and a number of articles in the public press have commented upon the uniqueness of that sort of business in live stock.
>
> We have, however, been able to demonstrate that cattle can be accurately described by mail in such a way as to practically insure that the buyer will not be disappointed in them, or, in other words, that the description has been so accurate that he gets what he expects. Ninety per cent of the buyers of S. M. S. cattle have never been to the ranch, and it is the rarest exception where buyers who do not come write that the cattle were not what they were represented.
>
> We believe that the day is coming when a great deal more of this will be done, and we wish to take this occasion to say that there are hundreds of good herds in Texas, with good men owning them, which can be had just as satisfactorily as S. M. S. cattle. And we are urging our brother breeders who have that class to go into the mail-order business.
>
> The distinct business of the S. M. S. Ranch is the sale in lots of one car or more of S. M. S. standard steer and heifer calves and S. M. S. standard yearling steers and heifers for shipment about October 20 to November 15 to points outside of Texas.

I have asked you to hear that for this reason: Our business extends over 25 States, and brings us in contact with an immense number of cattlemen. In turn very often we are sold out, and we receive very voluminous correspondence asking us where cattle can be obtained of a certain character. We answer those inquiries, not from a philanthropic standpoint, but with the thought that every good Texas steer that goes into the markets or anywhere else and makes a record for himself broadens the market and serves to increase production.

With that preliminary, gentlemen, I will focus myself to the bill. and first to the caption, "A bill to stimulate the production and sale and distribution of live stock and live-stock products, and for other purposes."

I do not believe that this bill, as I have it before me, will stimulate either production or sale. There is an element of conflict and confusion throughout it that, I believe, will appeal to that human element, the timidity of buyers where uncertain conditions are about to be encountered. A great deal of our business is in shipping heifers. We ship to Massachusetts, Maine, New York, and all over the Southern States. I have found this, that coincident with the very general discussion, when it is most noticeable, we find its reflex in the heifer element of the business. The steer element is not in any sense a different element to sell, but the heifer element has been and always will be the problem of the cattleman. A few years ago we were spaying heifers; I hope we will never have to take to that again. We should be in maximum production, with an efficiency behind that which will distribute the cattle products of America all over the world and will find a consumption for them.

I am sure that the consumer is very much confused as to the cost of meat and the extent to which it enters into the economic problems of the household. I believe that to-day food, taken as a whole, is a comparatively small element in the terrifically increased high cost of living, and I believe further that meats form the least item in that calendar. There is a terrific overhead, which has been greatly increased, in the retailing of meats, a thing to which I notice the Government is giving some thought and attention. In beef particularly the demand seems to be concentrated to the rib and to the loin. which is a comparatively small element of the beef. I shall touch that at another time, but I feel reasonably sure that the consumer and the producer are confused to some extent, and to a very large extent, at least to the extent of reducing consumption by various measures and discussion pro and con.

Going to the second page of the bill, beginning with line 19 and ending with line 25, that states that in the enforcing and construing of the provisions of this act the act of any employee shall be construed as the act of his principal.

As I understand it, this bill regulates not only the larger packers. but anyone doing an interstate business. That means an enormous army—hundreds of thousands—I believe I might state over 300,000 employees. It does not state that that act shall be willful. As I recall it, almost anything that entails a punishment does permit thought or willfulness to enter into it. I can see where that will result in endless confusion. I can see even where it might be made an instrument of malice, and I believe that that provision in itself is hurtful to the welfare of the industry.

Mind you, I am speaking only of the industry from my standpoint as a producer. Anything which affects the industry in any of its component parts directly reflects itself upon the products in their production.

The next item is section 2, creating, in this bill, a commissioner; in other bills, a commission. It gives to that commission or that commissioner absolute and arbitrary power to make any rule or regulation in connection with the business.

I also want to refer to section 6, pages 4 and 5:

> It shall be the duty of the licensee to comply with the provisions of this act and the rules, regulations, and orders, whether or not incorporated in such license, which the Secretary of Agriculture shall from time to time prescribe in conformity with this act. The Secretary of Agriculture may, as to any business for which a license is required under this act by regulations, terms, or conditions incorporated in such license or promulgated from time to time, regulate and control the licensee's relations, whether direct or indirect, to the purchase, manufacture, storage, or sale.

It gives unlimited power. I think that that in itself will be inimical to the starting of small plants. I am in favor of smaller plants, or large plants, or anything else which makes the industry broad, but I do believe that most men who are going to spend a dollar in an investment stop and think, and think very carefully, and I believe there are very few of us who would put our money into any industry in which rules or regulations which may be far reaching, extending to price fixing, would enter in.

Section 3—that I covered by saying that there was no objection to as many people as wanted to do so going into the business.

A portion of section 6 refers to the commodities that shall not be sold by the packer. That has been covered by the perpetual injunction, under the agreement with the Attorney General of the United States and at least the five large packers. I do not feel, therefore, that it is especially pertinent to this, but I wish to inject this thought:

The Attorney General, by a compromise or agreement, through a perpetual injunction, has caused a great many changes in practices that were considered objectionable by a great many people, and has taken away those privileges or powers, or whatever you wish to call them. I feel that that is destructive and that it is inimical in a general way to the producing industry and to the consumer to continue in a line which will make further disturbances.

In other words, my thought is this: Give the Attorney General's action a tryout. Stop this discussion, and let us see how far that will be helpful, how far that does reduce the powers that we consider inimical, and at this time let there be no more further regulatory legislation.

In item (*a*), on page 5, section 7, it is provided that they must not engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce. There is no definition there; there is nothing but the construction of one man, or three men. He may be the best or he may be the worst. Let us assume, for the sake of argument, that he is the best, a man with absolute integrity and honesty of purpose. I do not believe the man is alive to-day in America, or that the three men are alive to-day in America, who can go into the great labyrinth of details of this great industry, affecting so vitally every element in the United States, and handle it satisfactorily. The Government is not a merchant, but it becomes a merchant when it gives such bureaucratic or autocratic powers to any one man.

I believe that at this point I should say this, only in passing. I do not believe that the packing industry is a public utility. I believe that the precedent established by a commission control of private business is an unsafe thing at this time, when the whole world is in a ferment. I believe that there should be a line of definitions which will, at least, convey to some one what is right and what is wrong.

In item (*b*), page 6, the packers are not allowed to enter trade. As a student of economics and commercial methods for over 30 years, I think it would have a very serious result to the consumer and to the producer if longer lines were not permitted to be purchased. I think it would be inimical to the small packer trying to get into the business. He does business not always with the large packers, but with the men in the East, for the disposal of his stuff, either not cured or in green form, more in pork than in beef, but in beef, at least, in the form of dried beef hams.

Take the Beechnut people. They are to-day a very vital element in the distribution of glass bacon and the distribution of glass dried beef. You can hardly go into a store in the United States without finding their products on its shelves, and collectively it makes an enormous distribution of the product.

I do not know how far the commissioner would rule that those who are dealers in packing-house products might buy those products; but take the long and the short line throughout, and it is in every way in the interest—it is all right as far as cattle in the West are concerned; do not split the purchases. But when you say they shall not enter trade or later in section 7 say they shall not have title to a thing until it is decided upon by the commissioner or the commission, I think you are making it higher for the consumer, as against distribution—freights will not cut any figure; they are the same one place or the other, whether it goes direct to the consumer or to other people in the East. I believe from an economic and commercial standpoint that it is unwise, and that it would naturally focus itself to what the commissioner's decision might be under his arbitrary powers in that connection.

Section 7½, as to the stockyards,. is covered by the perpetual injunction, and therefore I shall not touch it.

Section 8 again refers to unfair and discriminatory practices. As I said, there is a confusion in its interpretation, and it does not in any sense relate to the retailer. I do not mean to charge the retailer with being a profiteer. I am not here to charge anyone with anything, but you know and I know that the immense overhead of the retailer has increased in the manner and methods of retailing. Take a small butcher shop, where one man will perhaps cut half a carcass of beef in one day. That same man has the capacity to cut perhaps five, six, or seven carcasses of beef. In every way the overhead in the retailing of meats has increased. So that this section, according to the figures pro and con that we show in the general line of the expense of handling the product from the producer to the retailer, would not reach that element at all. It must be reached from some other angle.

The Government is realizing to-day that focusing to the cuts is inimical, and is endeavoring to spread out in some way over the whole carcass. From my own standpoint our association in Texas could afford to spend $1,000,000 distributed over five years, which would be 10 cents a head on the renditions of the Texas Cattle Raisers' Association, to put on a constructive campaign showing the uses of the different parts of the beef. The mutton people have done it, and I am told in the advertising world that the results of their diverting people from the most expensive cuts to the other cuts has been the marvel of rapid and constructive advertising.

In other words, gentlemen, my whole thought throughout is to devote ourselves as far as we can to the economics of the situation and see if we can not reduce the price to the consumer, at the same time giving the producer what he can live on comfortably and what is a fair profit.

Passing to section 10 it provides that the commissioner of foodstuffs may investigate and ascertain the demand for, the supply, the consumption, costs and prices of, and the facts relating to the ownership, production, transportation, manufacture, storage, handling, or distribution of live stock or live-stock products. Now, that is all right, but do you realize that when you are going to focus cost of production and the selling of meats it takes an interminable time to do it?

As an illustration, in the spring of 1918 they came to our office and asked to see our books. They wanted to make an investigation of the cost of production, and I did everything in my power to give them all figures, any figures they wanted, covering the periods of 1914 and 1917. Now, that was early in 1918 that they were there. Late in the summer or early in the fall of 1919 I received the figures. They were trying to figure what it cost to raises a calf to the weaning period. A year after that time, when conditions had changed, when we had gone through the terrific droughts and our cost of maintenance had gone up five times, through the purchase of stuff from Idaho and from Georgia to keep ourselves alive—a year after that I got those figures, and I found it cost us $48 and some odd cents to raise a calf from its birth to the weaning period. Then I had some curiosity to see what we had gotten for that calf, and I went back over my figures for that period and I found we had gotten $34.50 for him and were very well satisfied.

Now, I do not think those figures will be very attractive when you present them to a man and ask him to go into the producing business—when you show it is going to cost $48 for a calf and that you get what our figures showed for that period out of it. On the other hand, everything that any department can give to the feeders, the breeders, the producers, and the consumers is all right. You already have a Bureau of Markets, and it seems to me it would bring about more or less conflict and confusion.

Section 11 provides that the Secretary of Agriculture may make rules and regulations. That I have commented upon.

Sections 12 and 13 are devoted to methods of prosecution after a complaint has been filed. Now, it does seem to me that where you are going to spend $300,000 to keep a lot of men busy—and you must have a lot; one man can not look into every nook and corner of these things—the human element enters in. They can not just sit up. And regardless of whether right or wrong, I can not see how it is possible there should not be complaints brought and legal procedures and a confusion that will keep the thing constantly in the minds of the public. I shall not attempt to dissect section 13, because it is legal, and I am not a lawyer, but I do want to make that observation in connection with it.

I might make this statement there though: It seems to approach very closely to Government monopoly, through the processes which lead to the appointment of a receiver to run a business. In a general way I can not see how it could be helpful to any industry to have a receiver appointed to run it when they are financially able to do those things. I think that in a general way every one has been willing to grant that the packers are unusually efficient. During the time I was with them in the trade-extension line I saw their vital influence on the industry that I am in now—taking an old cow that formerly would die on the prairie and selling her two or three years before that time and sending her canned products all around the world. I recall that our men were kept out constantly all around the world, not to sell but simply to investigate the possibilities and report back to the follow-up people. And I know that that wonderful efficiency and almost greediness to get trade over the whole face of the globe has made a great big difference, the difference between bones on the prairie in the spring and a very fair price for the cow that you cull in the fall and which may go either to the canner or back to the country where she can perhaps drop another calf or two and then come back.

I believe that to be serious, and in the producing business the small man and the large man suffer alike. The moment the man's carload of cattle comes to the market it ceases to be his carload of cattle; it becomes a part of the beef product of America, and his product is being pushed just as ours is. Well, perhaps all of them can not afford to go to the expense that we can with a larger number of cattle, but I have found that the small man is the vital factor. The growth of the association there shows the rendition of an average of, we will say, 400 or 500 head as against the great renditions. I believe that that man is finding a broader market and is finding better methods, and I believe he is getting down to brass tacks and trying to apply these economic principles to his business, and that he is a vital factor in the whole story.

I find, too, in item 1, on page 18, the submitting of standardized plans and all that sort of thing. Again, I think that is going to bring about great confusion, particularly if there is any special compulsion. I find it so in every industry. There is an incentive given to a man by the industry to invent some particular piece of machinery, to construct some particular building, to arrive at some special process. In fact, his whole maximum earning depends upon his being able to inject into the business something that is new and progressive and that will help reduce costs and avoid waste.

It is not a serious thing, and I only speak of it to confirm my original statement that the bill would create a condition of more or less confusion throughout the packing industry, and, in turn, those things are reflected upon both the consumer and the producer.

On page 19, section (*b*) has reference to the facilities of the packers being furnished on fair and reasonable terms to everyone. In theory that is all right, but you must remember they handle a perishable product, and when you apply it to a branch-house system, every manager must keep his finger on what the consumption of that place is. It may be affected by Thanksgiving week, it is affected by Jewish holidays, it is affected by caprice. Absolutely without any cause at all, I have known the demand to be so heavy that I was wondering where I was going to get the cattle to fill it, and to-morrow it just stopped like that. There are limitations in being able to figure out exactly what is needed in a market. It takes a man who can do a lot of thinking to be able to gauge what the market will consume, because if it is not consumed, if it is spoiled, that is waste to the world and waste to the consumer. If everyone were able to ship to this branch house or that branch house it would be a man working for many masters. It would mean that a man could not possibly figure to put into his market the actual amount of stuff that the market will digest.

On page 21 it says:

> As far as practicable, when requested by any such licensee provide for the inspection by agents of the Department of Agriculture——

And then goes on to say what this department can inspect. That brings up the criticism that this bill does not articulate. The Government is divided into so many subdivisions, and among those subdivisions I do not believe there is a more comprehensive act to-day in any of our industrial work than the meat-inspection act. It is required that every piece of meat which goes interstate or for export must be inspected. I was talking to a gentleman the other day, and I asked him how far the meat inspection had been considered a success, and he told me that in all the history of it—and I think it has been going for 20 or 25 years—there had been just two cases where anybody connected with the industry had been accused of bribing or favoritism or anything else. To-day that meat-inspection act is probably one of the greatest protections that the industry has, not only in the United States but abroad.

This differs from it in this respect, that it is done on request; but this certainly would be accepted by the courts. I can readily see how an industry might have occasion to want some inspection that would be accepted by the courts, and it may be asked on that ground. But if we ask for it they will all ask for it, and again you have that confusion. The provision in this law does not articulate with the meat-inspection act.

Beginning with line 16, on the same page, it says:

> No licensee under this section shall take title to any live stock, live-stock products, or perishable foodstuffs handled by such licensee except under such conditions as may be prescribed in the regulations issued under this section.

That, as you know, means that any regulation can be made. I can only interpret that as meaning the power to regulate prices. I do not want anything but a fair price for my product, but I think that when we begin to regulate prices in the meat industries, with dozens and dozens of different classes, both in the process of production and in the process of finishing, you are going to take up an angle that in itself would be as serious as anything that could apply to the industry.

There is only one other item, I think, and that is as to refrigerator cars. In section 16, beginning with line 14, the intent is, as I understand this, to take the cars now privately owned by the larger packers or any of the packers and distribute them to be applied to all business. There is one line in this—I do not know whether it is in this measure, but the thought is there, that adequate facilities shall be furnished to men who do not have private lines.

I am quite in favor of that, but it has been definitely shown by the Interstate Commerce Commission's reports that the handling of the private cars by the packers has resulted in an immensely greater mileage. That mileage in itself is in the interest of the consumer, and it is in the interest of the producer. We all know the condition the railroads are in to-day, and the immense renewals that are required. So I should say, Let those people take care of themselves with their refrigerator cars and focus your transportation people on the thought of furnishing the cars to the smaller packer.

Gentlemen, that concludes my coment, except this. I want to pause one moment to call your attention to the avenues which for years and years have tended toward the reduced consumption of beef. You want a maximum production, and there must be consumption in harmony with that production. For years and years every patent-medicine advertisement has begun with "Eat less meat." I think a large percentage of the people who go to a doctor to consult him are told to eat less meat. And the manufacturers of the cereals and the dairy products—I do not say these things are not absolutely legitimate, but the American housewife has had drummed into her this one thought: Meat is high; eat something else.

The very purpose of your bill is increased production. I do not know how you can stop any of those things, but there must be increased consumption in order that we may have increased production.

Gentlemen, I thank you very much.

The CHAIRMAN. Are there any questions?

Mr. ANDERSON. I would like to ask a question. I think, Mr. Hastings, it would be rather less difficult to accept a good many of your conclusions if we first accepted your construction of the bill. I have been over this thing so many times——

Mr. HASTINGS (interposing). So have I, Mr. Anderson.

Mr. ANDERSON (continuing). That I do not know whether it would help either you or me or the committee to go over some of these sections again, but I am certain that the construction which you put upon some of them is clearly not admissible.

For instance, I call your attention to the rule which is laid down on page 2, with reference to the liability of the principal for the act of his agent. It is my impression that that might be left out altogether.

Mr. HASTINGS. You mean it might be left out of the bill?

Mr. ANDERSON. It might be left out altogether and it would not change the situation a particle.

Mr. HASTINGS. Well, I was speaking to it because it was there.

Mr. ANDERSON. It is simply a statement of the law which now exists with reference to the liability of corporations for the acts of their officers, employees, and servants.

Mr. HASTINGS. Does not the word "willful" enter into almost all criminal procedure? This would start, I suppose, upon the basis of an investigation, but its penalty is imprisonment and fine, and it seems to me that it offers a very wide possibility for abuse. If you say it could be left out of the bill altogether, why, I agree with you.

Mr. **Anderson.** I think it could be left out without changing the situation at all.

Mr. **Hastings.** Mr. Anderson, I assume that the discussions connected with this bill will perhaps bring out a bill that will eliminate or add to, and that in turn that will eventually act as a composite between the House and the Senate, and many of the things I am talking about will be left out. I hope so.

But I only want to leave this impression. I am not here to accuse or defend the packers in any sense. I have given my life to the economic side of those things and have been able to show the results of those things. I am only giving my thought for what it is worth, and I thank you very much for having heard me.

Mr. **Anderson.** Personally, I welcome constructive suggestions, but I think they would be more helpful if they were based upon a sound construction of the language of the bill.

Mr. **Hastings.** And of that, of course, sir, you are the judge.

Mr. **Tincher.** It is your suggestion that we drop all legislation along this line and abandon any idea of any legislation concerning the packer, relying upon the agreed decree that some of them entered into with the Attorney General of the United States. Do you mean by that that you think some legislation would probably have been necessary had it not been for the decree?

Mr. **Hastings.** Well, not exactly, but rather that laws have been made, so far as they apply to the five packers, who seem to be the bone of contention, and I always like to see——

Mr. **Tincher.** Do you think that——

Mr. **Hastings.** Let me add this one thing. I really think that one of the great limitations of this bill is that it is indefinite. Now, whatever legislation you provide, whatever bill you report, I hope it will be definite, something that will not be open to all the interpretations and to the possibility of the great mistakes that can be made by one man handling this great industry.

I do not believe he lives. I do not believe that one of the packers, the man most conversant with the business, could handle this thing and do it in a way that would be satisfactory to either side of the thing.

Mr. **Anderson.** Have you read the decree—this consent decree?

Mr. **Hastings.** You mean the Attorney General's decree?

Mr. **Anderson.** Yes.

Mr. **Hastings.** Yes; I did, Mr. Anderson.

Mr. **Anderson.** I was just wondering whether you would consider that an example of the definiteness and the certainty and the clarity of statement which you would expect in a law.

Mr. **Hastings.** Well, it is difficult to answer that question offhand. I should say it is very definite as to things that it gives an injunction against.

Mr. **Anderson.** I would just like to demonstrate to you exactly how definite it is. Just a word about one proposition, and that is the one which enjoins them from engaging in certain businesses:

> That the corporation defendants and each of them be, and they are hereby, perpetually enjoined and restrained from, in the United States, either directly or indirectly—

And I would like to ask you at that point whether the words "directly or indirectly" would, for instance, refer to the doing of a thing by a holding company?

Mr. Hastings. I am not versed in those things, Mr. Anderson.

Mr. Anderson. (Continuing reading:)

> by themselves or through their officers, directors, agents, or servants, engaging in or carrying on, either by concert of action or otherwise, either for domestic trade or for export trade, the manufacturing, jobbing, selling, transporting (except as common carriers), distributing, or otherwise dealing in any of the following products or commodities, except which such products or commodities are purchased, transported, or used (1) as supplies in operating their packing houses, branch houses, or other facilities used by them, or as an incident in the processes of manufacturing soap or packing-house products; (2) in the construction and physical maintenance of their packing houses, branch houses, or other facilities used by them; (3) in the operation of their restaurants, laundries, or other conveniences, primarily for the benefit of their employees; or (4) in combination with meat.

Would you think that meant that they were not?

Mr. Hastings. Have you another copy of that with which I can follow you, Mr. Anderson? I did not catch that.

Mr. Anderson. I realize I am asking you a question which you can not answer, and probably nobody else can answer. I would just like to have you look over that pamphlet. [Handing pamphlet to Mr. Hastings.]

Mr. Hastings. This tells the things that can not be handled, does it not?

Mr. Anderson. Yes, sir. Examine that and tell me whether that decree allows a packer to transport the canned goods mentioned there in combination with meats in his refrigerator cars.

Mr. Weld. How does that compare in definiteness, Mr. Anderson, with the clauses in the proposed bill regulating the products?

Mr. Anderson. I am just saying it is about on a par, I think.

Mr. Hastings. Mr. Anderson, I would really want to study that whole section and look it over before I answered the question. I do not want to refuse to answer questions. It is definite as to the stockyards being disposed of; it definitely says, "you must not retail meats."

Mr. Tincher. It says that the stockyards must be disposed of. I am glad you came in. Who are they going to dispose of them to?

Mr. Hastings. I do not know. The decree is that they shall dispose of them.

Mr. Tincher. When?

Mr. Hastings. Within two years, doesn't it say?

Mr. Tincher. You said it was "definite," and you state facts here to show how it works; and I would be glad to find a man who has an idea what is going to happen to the stockyards. Do you think they will go to a holding company of the packers?

Mr. Hastings. I have no thought on the subject; I have no idea what their method would be. It is a big economic question; I can quote a remark made by Mr. Atwood. I heard him the other day speak of the settlement, and I heard him say this:

> These stockyards are going to be sold. Stock men, here is your chance to get into the stockyards business.

I can not answer that question or even anticipate it.

Mr. Tincher. I do not understand that it is very definite about the stockyards. There is not any provision for anyone buying them, as I see. Is this suggestion by you original with you, or have you heard it suggested before?

Mr. Hastings. What?

Mr. Tincher. That Congress try Government by agreed decree awhile with the packers.

Mr. Hastings. It was the minority resolution in the Houston convention.

Mr. Tincher. Down in Texas?

Mr. Hastings. Yes.

Mr. Tincher. There were not enough voted for it——

Mr. Hastings (interposing). Yes; there were quite a number voted for it.

Mr. Tincher. It did not pass any Texas convention?

Mr. Hastings. It did not pass; no.

Mr. Tincher. Who was attending that convention besides cattlemen and stockmen, if anyone?

Mr. Hastings. There were a great many people there.

Mr. Tincher. Do you recognize anyone here whom you saw there?

Mr. Hastings. Mr. Weld was there.

Mr. Weld. Who invited me?

Mr. Hastings. Mr. Turnage invited you.

Mr. Weld. Who is Mr. Turnage?

Mr. Hastings. Mr. Turnage is the president of the association. I recall he stated that.

Mr. Tincher. Do you know whether Mr. Weld brought that resolution with him or not?

Mr. Hastings. I do know that he did not.

Mr. Tincher. Do you know whether he inspired it?

Mr. Hastings. I do know that there never has been any suggestion to me as long as I have been in the business that a certain resolution be passed. Whatever I have done, I have done from my own initiative, and my Texas friends, I think, are good enough to say that they believe I am honest in my convictions.

Mr. Tincher. I do not question that at all. What I am really getting at, to be blunt about it, is that I wonder if the Attorney General would advocate government by agreed decrees?

Mr. Hastings. I do not know. I know that Mr. Atwood made this statement, that the Attorney General neither urged legislation for or against—any further legislation. He made that general statement, and I assumed that is, of course, his position. What he has done, I assume he has done from his own standpoint and for what he considered the best.

Mr. Tincher. Yes; he said in the Senate hearings virtually that he had enough evidence—I do not want to misquote him—but I gather this from what he said—that he had enough evidence to prosecute the packers criminally or civilly, and he decided that the best way to handle the situation was in the form of this decree.

Mr. Hastings. Of course, I can not attempt to discuss the processes by which he reached his conclusion; I can only view it from the standpoint of what they were, and what were the terms of the injunction. I noticed the American National Live Stock Association resolutions commend him very highly for that.

Mr. Tincher. For the decree?

Mr. Hastings. For the decree. I am right in that, am I not, Mr. Tomlinson? [No response.]

Mr. TINCHER. Here is the first time I ever heard it advocated that it should take the place of law. You do not believe in government by decrees, do you?

Mr. HASTINGS. I have heard that discussed a good deal. I should say this, that the Attorney General of the United States is at least competent to form his own convictions in those matters, and I am not going to differ with him. I think that throughout the whole thing the thought has been that those who have opposed this legislation have been, "Let us see if we can not get down to good, old-fashioned constructive work and regulation." How far those things may lead to a settlement of the differences that exist between some of the producers and the others I do not know.

Mr. TINCHER. Do you think that the control of the Government by the decree entered into some years ago has been successful?

Mr. HASTINGS. I do not know that I recall what you have reference to.

Mr. TINCHER. When the producers and the consumers complained that the packers were in combination, they agreed to dissolve the combinations, and then there were certain court decrees entered here in the Supreme Court of the United States against them.

Mr. HASTINGS. I can not discuss that intelligently, for the simple reason that it has been so long ago and I have been engaging my mind with other things.

Mr. TINCHER. The minority down there wanted Congress to wait on the decree to see whether it would be a sufficient means——

Mr. HASTINGS (interposing). The majority—do not misunderstand me; I am not here to represent my association.

Mr. TINCHER. The majority did vote for the resolution indorsing——

Mr. HASTINGS (interposing). The majority did not vote for any specific legislation. Would you like to have those resolutions?

Mr. TINCHER. They are already in the record of the hearings. I think Mr. Weld sent them to us by telegraph, and we got them quick enough.

Mr. HASTINGS. I have a copy of the the Dallas News——

Mr. TINCHER (interposing). I do not want any newspapers put in which might have a lot of extraneous stuff in them.

Mr. HASTINGS. I mean containing a copy of those resolutions. I will tell you you have got to take those things by how they go over the entire United States. And since that has been mentioned, as I recall it, the wool growers in their associations were against any sort of legislation. Some, however, are for it. I noticed one Illinois association was against and the Iowa association is for it; and you have to take the whole thing throughout the United States.

The American Live Stock Association resolution asks for distinct laws and that no arbitrary powers be granted.

So, if you put those resolutions all in a pot and melted them up, it is very difficult to say just where they would stand. There is however, this underlying thought, that there is a very material element—I am not going to say a majority, because I could not say intellilently—but there is a very material element in the producing world in all lines of meats that feel as though this legislation, particularly as covered by this bill on which hearings were had in the Senate, under the Kenyon bill. Am I correct in that being practically the same bill? There is certainly more than an undercurrent of constructive thought that feels as though the industry would be harmed by this class of legislation. Of course, I am speaking to the specific bill.

Mr. **Anderson.** In that connection I would like to call attention to the fact that this decree, which we are advised is definite and certain in its terms, is a finished product.

Mr. **Hastings.** Is a what?

Mr. **Anderson.** Is a finished product. It is the last word; while this bill is admittedly in the process of development, and we hope to improve it somewhat.

Mr. **Hastings.** Mr. Anderson, I think you will recall that I referred to the fact that I have to speak to this bill, because I felt that I could not take a lot of your time and that I must focus myself to something definite, and, therefore, I gave this immediate bill some study, and I have tried to confine myself to it. You may be able to evolve from this a good composite bill that would be much more satisfactory.

Mr. **Anderson.** May I just ask you one question?

Mr. **Hastings.** Yes, Mr. Anderson.

Mr. **Anderson.** What is your idea of what this provision on page 21 of the bill means:

> No licensee under this section shall take title to any live stock, live-stock products, or perishable foodstuffs handled by such licensee except under such conditions as may be prescribed in the regulations issued under this section.

Do you understand that that confers upon the Secretary any additional power to those which are expressly given in other portions of the bill?

Mr. **Hastings.** I think you will recall, Mr. Anderson, that in speaking of it I referred to the fact that the absolutely unlimited powers which have been given under this bill to one or several individuals—that it might be so interpreted that it could refer—it could make prices of things, the classes of beef that are sold. Do you realize how many classes of beef are sold in a market in one day?

Mr. **Anderson.** Let us stick to the subject. You criticize this particular provision, and I want to know when you criticize it whether it is because you think this section gives some power which is not given elsewhere in the bill.

Mr. **Hastings.** I think it is given in several sections of the bill. I went over this bill and in discussing the provisions I made memorandum as to those things. But there are several sections in the bill that particularly refer to taking title, and therefore I put the simple word "prices" on my marginal notes. I will be very glad to give you this bill with my marginal notes on it. I put the simple word "prices" on my marginal notes because the word "title" means a money transaction; and I thought it focused itself to the possibility of interpretation there that prices—price fixing could occur under the wide range of authority given to the commissioner or the commissioners.

Mr. **Anderson.** My understanding of that particular section is that it is a means, a method of enforcing the regulations which the bill in other places gives the Secretary——

Mr. **Hastings** (interposing). But you do not know what those regulations are, Mr. Anderson.

The power is unlimited, of course.

Mr. **Anderson.** Let us see about that. Of course, any regulation which was contrary to the provisions of the act or which went beyond the provisions of the prohibitions of the act, would be void as delegation of legislative powers, would it not?

Mr. **Hastings.** I do not know whether I quite follow you in that.

Mr. **Anderson.** Congress has not any power to give any departmental head the authority to make rules and regulations without limit. Congress has got to lay down some rule and having laid down that rule it can submit a departmental head to make rules and regulations for the carrying out of that rule.

Mr. **Hastings.** It very plainly states, Mr. Anderson, throughout several sections of the bill that the licensee must agree in advance to any rules or regulations which the Secretary of Agriculture—that does not say "the food commissioner"—but I assume it would be this food commissioner.

Mr. **Anderson.** Your assumption there is incorrect, because the food commissioner has no power whatever to make rules and regulations.

Mr. **Hastings.** I say the power vested would be in the Secretary of Agriculture, that he may promulgate any rules or regulations, or such regulations as he may think proper. Now, under my construction—I may be very wrong, but it brings me back to my original statement that the bill is full of confusion in the matter of construction and its articulation; that is my individual thought—that I think will affect me as a producer. Beyond that I can not go.

Mr. **Anderson.** I am willing to admit that the bill is not perfect in many respects, and that it can be improved in a good many respects. But I get a little bit tired of hearing it constantly reiterated that this bill gives to the Secretary of Agriculture an absolutely arbitrary and unlimited power over the industry. There is not a word in this bill that justifies any such construction.

Mr. **Hastings.** Mr. Anderson, I hope you will pardon me, but that is my own honest interpretation; I can neither go beyond nor behind that.

Mr. **Anderson.** Of course, a man's opinion, as has been said here a good many times, is no better than his reasons for it.

Mr. **Tincher.** I want to ask a question: As a producer, you do not have any transactions at all with the packers?

Mr. **Hastings.** Not directly. Our main business is done directly, but we ship a great many of what we call our cull cows to the market. We try to put in the bank what might be "bones" on the prairie in the spring, and we naturally take out a great many cows which would probably go through, but they would cost an immense amount of money to maintain. They may get weak——

Mr. **Tincher** (interposing). You are testifying here as an individual producer?

Mr. **Hastings.** Absolutely, sir.

Mr. TINCHER. And I gather from your testimony your business was to raise and produce stock cattle that you shipped to other men for feeding and breeding purposes?

Mr. HASTINGS. We ship about 10 per cent every year of our cows and maybe other classes——

Mr. TINCHER (interposing). The only business you have with the packers is to sell them the old cows?

Mr. HASTINGS. We sell a great many beef calves, and just last year we sent them every 2-year-old steer we did not think would make a good steer.

Mr. TINCHER. Then, your business is with the packers. Your business is the same as the ordinary producer, and your business is with the packers?

Mr. HASTINGS. When you ask if my business is with the packers, we ship to the commission man and our transactions are with him.

Mr. TINCHER. But in starting to give your testimony I understood you in describing yourself to say that you were the only mail-order cattle firm in the United States. I did get the impression that if you had any transactions with the packers they were simply incidental, and that your principal business——

Mr. HASTINGS (interposing). Our principal business is the sale of breeding heifers and steers not older than the yearling period.

Mr. TINCHER. They do not come in contact with the farmer at all?

Mr. HASTINGS. They do; eventually.

Mr. TINCHER. I understand; but you do not deal with the packers.

Mr. HASTINGS. We do not deal with the packers.

Mr. TINCHER. Another thing, you said the Bureau of Markets came down to your ranch and figured it would cost you some $40 to produce a yearling animal?

Mr. HASTINGS. Not a yearling, a calf.

Mr. TINCHER. I may have misunderstood you. I understood you to say at the age of a yearling?

Mr. HASTINGS. Oh, no; a calf born before the 1st of June.

Mr. TINCHER. And you said you sold the animal at $30?

Mr. HASTINGS. I said we sold them at $34.70.

Mr. TINCHER. And were well satisfied?

Mr. HASTINGS. Yes.

Mr. TINCHER. Do you mean by that that the Bureau of Markets was incorrect as to the cost of your production?

Mr. HASTINGS. No.

Mr. TINCHER. What you meant by that was this, that you were satisfied because you could see a profit in it without counting the income upon your investment, without keeping books and auditing like the packers do, you could still see a profit in the calf at $34?

Mr. HASTINGS. No; you must take that from this standpoint: Of course, large properties—in fact, any property, I think—you take the territory of the corn belt—take Kansas—your feeders, and feed not because they want to but because they want to preserve the fertility of the land, because they want to use whatever waste that is not marketable from the ordinary farms. In turn, in our country, with considerable sized tracts of land those cattle pay good carrying charges, pay the expenses and things of that kind, and there is and and has been in all farm property in the United States and ranch property an appreciation in the value. But against the current market at that time we felt that it was paying us a reasonable investment. Of course, the Bureau of Markets figures went in and allowed as part cost of production interest on the money and things of that sort. But that figure put out as a cost of production would not encourage production. The intent of this bill is to encourage production. I have no doubt that in the figures that are given by the Bureau of Markets——

Mr. ANDERSON (interposing). Do you think we should lie to them to "encourage production"?

Mr. HASTINGS. I do not believe I got that, Mr. Anderson.

Mr. ANDERSON. Do you think we should lie to them to encourage production, or tell them the truth?

Mr. HASTINGS. Not at all; that is all right.

Mr. TINCHER. Do you not think it is proper in figuring up the cost of producing a weanling or calf that the ranchman has the same right to figure an income on his investment as anyone else in the business? You never heard a business man who did not figure income on his investment?

Mr. WELD. We do not do it. Income has to come out of our profit as we report to you. If we had figured interest on capital investment as expense this last year we would have only made about $1,000,000 or $2,000,000 instead of $14,000,000.

Mr. TINCHER. When you figure a per cent of profit that per cent of profit is on your investment?

Mr. WELD. Yes, but there has been no——

Mr. TINCHER (interposing). This man has a ranch and he has a herd of cattle and he says that the Bureau of Markets took a new turn by figuring interest on that investment in figuring the cost of producing the animal. That is the absolute way to figure the cost of producing an animal, because they were not figuring the per cent of profit after they sold the animal. If they did and figured on the same system you do, they would take his investment and then figure out per cent of profit. You do use your investment when you figure your percentage of profit and you use more than that. You use what lots of other people think—that is, the Federal Trade Commission intimated that they did not know just exactly how you got at your inventories to make them so big as to make the per cent of profit so small?

Mr. WELD. They can find out very easily.

Mr. TINCHER. While his investment is tangible—anyone can see it—the Federal Trade Commission or anyone else; or the Bureau of Markets can go there and see just what he has, because it is aboveboard.

Mr. CHAPLIN. The Federal Trade Commission does not allow us to figure interest as an item of expense. We do not do that.

Mr. WELD. As it has been in this case?

Mr. VOIGT. The difference is that this gentleman here, in his case they figured up the cost of producing the animal, and you are talking about profits on your business. The two cases are not parallel at all. If you are going to figure out what it cost this man or any other man to produce a steer or yearling, you must certainly figure the amount of money or property that he has got invested in his business, or you can not figure the cost.

Mr. Weld. All right. But in figuring our cost per animal we do not consider as expense the interest on the investment.

Mr. Voigt. No; but your interest on the investment is included in your profits?

Mr. Chaplin. No; it is not.

Mr. Voigt. Let me show you. Suppose you make 12 per cent at the end of any year on your total capital invested. Now, what is the difference whether we say that you were allowed 6 per cent on that investment as a rate of interest, and that you made 6 per cent profit on top of that, or that you made 12 per cent profit? There is no difference at all.

Mr. Chaplin. We have a very fundamental thing in figuring these farm costs. The proper way, in my opinion, for Mr. Swenson to figure the actual expenses incurred in producing the cattle—say it is $20 a head, and he sells them at $34, he makes $14 a head profit. Then he figures out how much earnings, on that basis, he gets on his ranch. That is his profit which you could compare with our profit. From that earning he can determine what his land is worth. The way they do now, they say his land is worth so much, and you have got to add that on the cost of production, and he should get that price. And next year the price of land goes up, and he has to get a higher price. It keeps on going up—the higher the land goes the higher the cost goes.

Mr. Anderson. That is the same way you do when you add to your surplus and increase your capital by stock dividends in the same year. You have to pay earnings on your stock dividends that you have issued, and you also figure your profits on the basis of your net worth, which includes your surplus?

Mr. Chaplin. No, sir; that is not at all the case.

Mr. Anderson. Yes; you do. You figure your earnings on the basis of your net worth, which includes your capital.

Mr. Chaplin. And earnings.

Mr. Anderson. And your surplus?

Mr. Chaplin. Put back into the business.

Mr. Anderson. And your surplus. If you issue stock dividends you pay earnings on that just the same as upon other stock.

Mr. Chaplin. That does not change our net worth one penny to issue stock dividends.

You take farm land that cost $500 an acre. They say you have got to capitalize that value, and when you produce something on that land you have to get a very high price for what you produce, simply because the price of the land is high. That is just figuring the thing backwards.

Mr. Anderson. That is exactly what you did. You increase your inventories and you issue stock dividends on the basis of it, and you pay dividends on that increased inventory as represented by the stock dividend.

Mr. Weld. But, Mr. Anderson, we did not include interest on that net worth as expense.

Mr. Chaplin. The Federal Trade Commission distinctly says that is not a proper way to do.

Mr. Anderson. That is in figuring the cost.

Mr. CHAPLIN. The expense of production should not include interest; it should not even include interest paid to the bank for borrowed money.

I want to tell you that this basis that they have figured on will always show a loss to the farmer, because every time he sells his land and he gets higher prices for it he increases his cost of production and he is simply capitalizing the earning power of his land. The higher the land goes, he says, "I have got to get more for my goods." It should be the other way. He should figure what he gets for his goods; he should figure what it cost to produce without any interest on his land, and then he can show his profit, and that profit will determine what his land is worth.

Mr. ANDERSON. The difficulty with the farmer is that every time his land increases in value he can not very well issue stock dividend to cover it.

Mr. CHAPLIN. But he does, nevertheless. He sells it to his neighbor at a higher price, and the neighbor has to try to get enough more for his products.

Mr. ANDERSON. I will admit that he comes as near duplicating your performance as he can.

Mr. CHAPLIN. No; he goes far beyond anything we have ever attempted. He capitalizes the earning power of the land; that is what causes that high prices of land, because the product of the land is selling for very high prices, and it is a vicious circle, under which the farmer calculates. If you figure the way this Bureau of Markets figures, the farmer will never reach a stage when he will make any money, because the land is going up; his cost of production keeps on going up. If he was getting $10 a bushel for wheat and his land went up in proportion, he would be still losing money. I think the Government bureau should be consistent in the treatment of this interest item.

Mr. VOIGT. As a matter of fact, do you not think that the increased price of cattle in the past years reflects this proposition of the increased cost of land?

Mr. CHAPLIN. No, sir. The increased cost of land is the reflection of a constantly increased price that the farmer gets for cattle and wheat and corn.

Mr. VOIGT. Let me ask you this question: Suppose that all the land in the United States which is devoted to cattle raising were to-day worth the same money that it was worth 10 years ago. Do you not think cattle would be cheaper to-day?

Mr. CHAPLIN. Not at all.

Mr. VOIGT. You and I do not agree on that.

Mr. CHAPLIN. The selling price of cattle has nothing whatever to do with the price of the land. It is the price of the land that is the reflection of the price of cattle. The profitableness of farming is reflected in the price of the land. People want to pay $500 an acre for land because they can make money out of it; they can make interest out of it and they make a living out of it. Why should a man buy land at $500 an acre?

Mr. VOIGT. Suppose that you could buy all the land in Texas to-day that is devoted to cattle raising at $1 an acre. Let us assume that is the value of it.

Mr. Chaplin. Yes, sir.

Mr. Voigt. Do you not think that cattle would sell for less than they do to-day?

Mr. Chaplin. Not one penny.

Mr. Voigt. You and I can not agree on that proposition.

Mr. Chaplin. But I will say this, that——

Mr. Tincher (interposing). Do you not think they ought to sell for less?

Mr. Chaplin. If cattle were selling to-day for what they sold for 20 years ago, the price of Texas land used for producing cattle would be back where it was 20 years ago. It is the income that comes off of the land that determines the value of the land and nothing else. Of course, there is a speculative element in the farming districts all over this country. People have figured—the farmer figures this land is going up—" I can buy it now and I can depend on a certain amount of speculative profit "—and he anticipates that.

The Chairman. The selling price determines the price of the land, does it not?

Mr. Chaplin. I beg your pardon.

The Chairman. The selling price determines the value of the land.

Mr. Chaplin. That is something else.

The Chairman. No; it is not something else. It is whatever it will bring in the market.

Mr. Chaplin. That is it, and that is determined by what it can produce.

The Chairman. Not altogether; no.

Mr. Chaplin. Pretty nearly what it can produce, just the same as the shares in a manufacturing concern, just the same as Liberty bonds. The question of safety is involved there. A man will pay a little more for land because there is a certain amount of safety in it. Some people will invest in Liberty bonds, although they bring a lower rate of interest, because they are considered safe.

Mr. Anderson. You know a good deal more about this thing than I do, Mr. Chaplin, but the way it looks to me is this: Before a farmer makes any profit on his investment, he feeds his cattle and he deducts the cost, and if he has got anything over, that is the profit on his investment.

Mr. Chaplin. We do exactly the same thing.

Mr. Anderson. You take the cattle and you pay for them, and you add something to them in the manufacturing processes, some expenses, and you sell them, and if you get enough out of them so that it more than pays the cost, that is the profit on your investment. Now, what is the difference?

Mr. Chaplin. The difference is this: We do not include any interest for any money used in doing that. The farmer, according to the methods adopted by the Bureau of Markets, do include that.

Mr. Hastings. At this moment, may I correct my statement to this extent? I meant to say distinctly I did not know whether it was the Bureau of Markets or whether it was——

Mr. Anderson. The Bureau of Farm Management.

Mr. Hastings. I can not be technical on those things.

Mr. Anderson. Of course, if you are arriving at the cost per head, you may be correct in saying that in the one case under the rules of the Federal Trade Commission you do not include the return on your investment, and that the farmer in figuring up his cost per head may have included the return on his investment, but, after all, you do not, either one of you, have any return on your investment until after you have paid the operating expenses. So that it comes back to the same thing in the final analysis anyhow.

Mr. **Chaplin**. No; except that it gives an exaggerated idea of the cost of production. Here is Mr. Hasting's case. They tell him that his cost of production is $48, and he sells at $34, and is satisfied.

Mr. **Anderson**. The important question there is whether that $34, if he has figured out what it cost him to raise those cattle—whether that $34 represents any return on his investment. That is the question.

Mr. **Chaplin**. That is the question. At the selling price of $34, what income do you get on your land per acre?

Mr. **Hastings**. The price is higher now than that, but our business is figured on the basis of "bull dogs and whet stones"—it costs so much to do business, and we get so much out of it. But at this point I want to interject this thought: The State Department of Texas shows that it cost 45 or 46 cents to produce a pound of cotton, and yet it is quite generally sold there probably on an average of 37 cents, and the farmers in that country have gotten back on their feet and recovered largely in the district where the cotton was produced. So that they figure from one angle and the cotton farmer figures it from another.

In our own particular business, they took a pretty good valuation of land and allowed interest on that, and allowed interest on farm equipment and all those things. I wrote them and asked them this question: "I would like to know what a $500 Iowa or Illinois farm returns on its investment?" They replied to me that those figures were not yet complete, and they would give them later. I have this in mind, that I would like to get a basis of comparison of people who could live on those farms and on that priced land, and the return they got from it.

Mr. **Anderson**. Do you not think that your land ought to give some return on what you have invested in it?

Mr. **Hastings**. Yes, in a general way. But, Mr. Anderson, we do not figure that in making our price. Of course, our profits must be on the market—the demand governs that—but there has been a great deal of appreciation, and we could probably turn our land to-day at more money than when we originally bought it. But that is an uncertain element. There may be an immense demand for land to-day, and it has gone to-morrow. We have sold a lot of land, but we figure that our eventual maximum of returns—I think that has been shown in the statements of a great many men who have testified—the eventual maximum return we will get from the value of those lands, and you will get your return from that. In the meantime, you are making a very fair return on what your expenses are against your return in the way of money.

Mr. **Sansom**. The Government does not permit you to charge interest on the land in your income tax?

Mr. **Hastings**. I do not make up income tax statements, and I do not know. I can not answer that.

Mr. **Sansom.** They do not permit me on my ranch to charge interest on my ranch investment in my income tax; I mean to say, on the land.

Mr. **Tincher.** You deduct a certain per cent on your capital invested?

Mr. **Sansom.** Not as an individual.

Mr. **Tincher.** You do not make out your statement right.

Mr. **Sansom.** I am glad you let me know that, because it has not been permitted in Texas.

Mr. **Tincher.** Yes, it is; on the excess profit.

Mr. **Sansom.** I am sure I am right, as an individual. I pay taxes on, say, 10,000 or 20,000 acres. I run my cattle on 10,000 or 20,000 acres of land, and some of the land on which I run cattle is worth $100 an acre down there, but I am not permitted to charge one cent of interest on that land investment, only on the feed, labor, and expense and that kind of thing.

Mr. **Tincher.** There is a place on the blank for that deduction.

Mr. **Voigt.** Not in personal income tax report. The Government could not permit you to do that, because if you had all of your wealth invested in income securities you might make $1,000,000 a year, and yet you would not pay a cent income tax.

Mr. **Sanson.** I do not think I could if I could get interest on my land, but I pay on that ranch more profit than I make, because I am not permitted in any way to deduct the value of this land or interest on the value of this land.

Mr. **Voigt.** No; you have got to pay income tax on your net income and. of course——

Mr. **Sanson** (interposing). It is net income, but it costs me to own that land and to raise these cattle that they are charging me on; the land is the investment, and I am not permitted to use it.

Mr. **Tincher.** You are on the excess-profit tax; you are entitled to deduct that interest on your income before you figure it.

The **Chairman.** In figuring the cost of $34 you do not include cost on investment in land, do you?

Mr. **Hastings.** Our business is figured on the basis of what our expenses are, and what we get out of it.

The **Chairman.** It does not include any interest on the investment?

Mr. **Hastings.** You mean our interest on investment would naturally be distributed over the difference between our expenses and that of what we got in?

The **Chairman.** You said you figured the cost of the steer?

Mr. **Hastings.** I do not figure the cost of the steer; I take the market for him.

The **Chairman.** I understood you to say that your books showed the cost $34.70.

Mr. **Hastings.** I say we had sold at that price.

The **Chairman.** You did not figure the cost at all, then?

Mr. **Hastings.** We never figure cost on anything. I have got to take what the market will give for it, and it is useless to spend my time figuring the costs that would not affect what I can get out of it. What I try to do is to get the most out of it.

The CHAIRMAN. Then you are not questioning the report made by the Bureau of Markets?

Mr. HASTINGS. Not at all. I only brought that into the equation to show how you could not focus to an immediate result.

Take the winter of 1918. We shipped 1,000 tons of velvet beans from Georgia; we shipped 300 or 400 cars of alfalfa hay from Idaho. Our cost of production that year, if we had figured the cost of production and put it out and tried to base our selling price against it, would have made us absurd. That is my thought. This is very light. Last year had only about 50 per cent calf drop; this year it looks as if it would be 90 per cent.

The CHAIRMAN. Would you mind stating the present price of yearlings and two-year olds?

Mr. HASTINGS. The nearest approach I can make to that is the sale that some one in Houston told me of. I do not sell anything except heifers. I am going to begin a selling campaign on heifers. I sell all of my stuff in the fall. I was told $50 had been paid for some yearlings down in southwest Texas for early delivery.

The CHAIRMAN. Were they yearlings?

Mr. HASTINGS. No; just coming yearlings.

The CHAIRMAN. About how much did they weigh?

Mr. HASTINGS. You can not figure the weight. It all depends on their gut fat, which may go out of them. They draw on that for winter maintenance. They may pick up 100 pounds in the next month. Last year at this time Texas redeemed herself in 15 days. People said it would take her 20 years to come back and she came back in 15 days, and Nature was absolutely wasting weeds and grass and all that sort of thing, and steers put on 100 pounds where normally they would not put on 25 pounds.

The CHAIRMAN. What are 2-year olds selling at?

Mr. HASTINGS. I am not versed in what 2-year olds are selling at, because I do not deal in anything over yearlings.

The CHAIRMAN. What are heifers selling at?

Mr. HASTINGS. There have not been any sales of yearling heifers quoted. I could not say what they are worth. When I was down at the Amarillo convention—I went up there to get a little line on it—and I heard most of the men say they were going to ask about the same for yearling heifers as they did for steers. What they will get is another question. It is too early in the season, because the movement does not begin for another month; but there are some contracts being made.

Mr. TOMLINSON. Mr. Atwood came down to address your convention representing the Attorney General, Mr. Palmer; did he not?

Mr. HASTINGS. Yes.

Mr. TOMLINSON. And he had something to do with the framing of this consent decree; did he not?

Mr. HASTINGS. Yes; it seems as though he had quite a bit to do with it.

Mr. TOMLINSON. And he sort of took you into his confidence and told you there was not anything final about the decree; that it probably might be modified.

Mr. HASTINGS. He did not press the matter with me at all. He made his general address to the association.

Mr. Tomlinson. Did he make that in his statement, in his general address?

Mr. Hastings. Oh, yes. What statement, now?

Mr. Tomlinson. The question I asked was, whether he stated the decree was not final but was subject to change as conditions might warrant. Did he state that?

Mr. Hastings. No; I do not think so.

Mr. Sanson. I think he did.

Mr. Hastings. I may be wrong about that. He did say this, that "naturally you would be interested in knowing where the Attorney General stood in the matter of legislation," and he said, "that they neither urged for or against it; that that was a matter to be determined by the legislative body, which had its own powers; that he was working for the judiciary."

I might not have gotten that particular line you refer to.

Mr. Weld. I think all he said on that point was that that did not estop the Government from further action against the packers.

Mr. Hastings. I recall that.

Mr. Sanson. And that they could make additions at any time?

Mr. Weld. I do not remember that.

Mr. Sanson. Yes, sir; I watched that pretty closely. He expressed that idea—that he made that statement. It was rather remarkable, but that is what was said, that this could be added to at any time, if necessary, and if there was any further recommendation all they had to do would be to put it in.

Mr. Tincher. That would have to be by agreement. He did not hold out that they could do that without agreeing?

Mr. Sanson. I am just telling you the way I understood it.

Mr. Tincher. If that was true, the consent decree might result in a real decree.

Mr. Rainey. How long have you been with Swenson Bros.?

Mr. Hastings. I went there 18 years ago. I perhaps should explain why I am connected with the cattle industry. For 10 years before that time the late Kirk B. Armour had a registered Hereford herd, which started in a small way, and it became a wonderful herd, and I looked after the advertising, pedigrees, and the breeding of that herd. Now, Mr. Swenson was incidentally their purchaser, and when Mr. Armour died he asked me to go to Texas.

Mr. Rainey. How many head of yearlings do you handle?

Mr. Hastings. Our calf drop is normally about 12,000 head, and that may be divided into, say, 6,000 and 6,000. We sell everything born before the 1st of June—that is, the steers as a calf—in the fall. Everything born after the 1st of June rocks over and becomes our yearling steer for sale the following fall.

Mr. Rainey. Has your volume of business increased from year to year?

Mr. Hastings. Oh, yes. When I went there our calf drop was only about 5,500 head; I do not know whether it was quite that. We have taken on some more land. We do not own the Old Spur Range, but it was bought by a syndicate, and our people managed 438,000 acres; and they have since sold 250,000 acres in small farms, and are continuing to sell it off in small farms of about 160 acres.

Mr. RAINEY. The so-called Big Five, then, has not retarded the growth of your organization?

Mr. HASTINGS. I think the figures speak for themselves. One of the points in economics in the cattle business is to get production, and we have resorted to every possible study of that. We have increased both our actual production, and we have increased our comparative production in that time.

Mr. RAINEY. In other words, since you have been with this organization have you found the so-called Five Big Packers guilty of any reprehensible or unfair practices toward them.

Mr. HASTINGS. Not so far as my personal knowledge goes.

Mr. ANDERSON. I will testify to the same thing.

Mr. HUTCHINSON. From my observation, you have went over pretty carefully this bill, and I want to ask you this: Providing the license feature would be taken out, would you have any objection to it?

Mr. HASTINGS. That is a rather sweeping question. I think it would be inimical to take the refrigerator cars away. I think very positively that the efficiency in handling and the distribution of the meats—the distribution of our meats is vital, and, then, again, I think that element—you mean in a general way by taking away the license system that you take away the food commissioner?

Mr. HUTCHINSON. Necessarily, you would take away the power to formulate rules and regulations, would you not?

Mr. HASTINGS. Then I do not think that the actual dropping out of the word "license" would cut much figure, if they had the same power of regulation. But it is a matter of law, and while I am a fair cattleman, yet I am an awfully poor lawyer, and I would not want to attempt to discuss those things.

Mr. VOIGT. You went down there, you say, through one of the Armours?

Mr. HASTINGS. I was in Kansas City on the selling side of the house. Of course, you did not hear what I said. The way I got into the cattle end of the business was this, I was raised on a farm, and I love the outdoors, and away back in the early 90's, the late Kirk Armour, who died about 19 years ago, when registered Herefords were very, very low, and Culberson went to Chicago to see Mr. P. D. Armour, and said "I am going to sell all my registered Herefords in here, and I want you to tell your boys to mark them up just as high as they will stand." Armour said, "Do not do that. Tell me what I should pay you in addition to the market price, and you give me the pedigrees." So Culberson did that, and he sent a lot of them down to Kirk Armour, who had a farm at Excelsior Springs. Mr. Kirk Armour very frequently dropped over, and one day he said to me, "Do you mind going over to the farm with me?" I said, "I would love to." When I got over there his man was all mixed up on the pedigrees and he asked me to straighten them out, and the result was I stayed there two days. He said, "I wish you would come over here about once a month and get Charley straightened out." And I looked after the breeding, and became a student of breeding, and Mr. Swenson bought our bulls and took them to Texas, and in that way I became associated with him, and when Mr. Armour died I was offered a position to go to Texas, and my health was not the best, and I took it.

That is how I happened to get into the cattle end of the business; and I was in that for 10 years, nights and Sundays, working on pedigrees and looking after the advertising of his herd. I helped build the Kansas City convention hall by selling the celebrated Armour rolls, and things of that sort.

Mr. VOIGT. When you were in Kansas City were you employed by the Armours?

Mr. HASTINGS. Oh, yes; I had the department of the house—I think it was what they called fancy hams and bacon, and the brokers in the Western States. And then I sold such offal as tripe and pigs' feet, a sort of conglomeration. But I was on the trade extension side of the house.

Mr. VOIGT. Then you were with them for quite a number of years?

Mr. HASTINGS. Oh, yes; for 12 years. I thought I so definitely stated, sir. One of my lines was the extension of trade. Under my supervision the process of canning bacon was evolved, and I put it in the English Army, and we sold billions of pounds during the Boer War. It was also taken up by the Commissary General of the United States. I had that character of work to do.

Mr. VOIGT. Do you think, irrespective of this decree, that the stockyards should be owned by the packers?

Mr. HASTINGS. That is purely an economic question. I do not think it makes any difference who owns the stockyards, just as long as they are efficiently run; it would not to me, personally.

Mr. VOIGT. Then you think, as a matter of public interest, it is not really of any consequence as to who owns them?

Mr. HASTINGS. I would not say that, for this reason: There seems to have been a very widespread thought that powers are being used there, and I do not think that it cuts any figure at all, so far as my personal business is concerned, who yards my cattle, so long as the work is efficiently done.

Mr. VOIGT. Looking at it in the broad light of interests of the general public, what do you say as to that question of ownership?

Mr. HASTINGS. You mean whether they should own them or not?

Mr. VOIGT. As to who should own the stockyards.

Mr. HASTINGS. I say it does not make a bit of difference who owns the stockyards, so long as they are efficiently managed. The decree says they shall not be run by the packers, and there is a perpetual injunction against it, and it is therefore not a debatable question.

Mr. VOIGT. I am trying to get your personal opinion.

Mr. HASTINGS. It is a matter of indifference so long as there is efficiency there. It does not set a fixed figure, if the stockyards are efficiently run. If the cattle had to stand, if they were not weighed promptly, and their fill goes out of them—because a skilled buyer the minute he looks at an animal knows just exactly how much water it has had to drink, and all those things—but if the cattle have to stand for hours and hours on the cars and in the pens after they are sold, that is more or less serious; and, therefore, it is purely, as I say, an economic question and one of efficiency. Personally, it would not make one penny's difference to us, so long as it is well done.

I think everything in the world should be done to encourage the increased facilities in the yards, for the quick weighing on the scales, and distribution. Lots of those things have been done, and yet you come up against gluts. I do not suppose there is a cowman in America but who has been on the market when there were 50,000 head in Chicago and 40,000 head in Kansas City who has not said to himself, "Can they take care of them all, and can they handle them all?" It is not so much what they are going to get, but they are there—you never heard of them going back.

Mr. VOIGT. That is all very interesting, but it does not answer my question.

Mr. HASTINGS. Very well. I wanted to mention it for this reason, I do not think that any stockyards could ever be made absolutely adequate to handle the tremendous gluts that come in big runs.

Mr. VOIGT. I was not talking about that question. I was trying to get your personal opinion as to whether it is in the public interest to have the stockyards owned by the packers, the railroads, or the producers.

Mr. HASTINGS. That is a hard question to answer. Personally, it would not make a bit of difference to me.

Mr. VOIGT. I did not ask you, either, whether it made any personal difference to you. I am trying to get your opinion, if you have any, as to what is in the public interest.

Mr. HASTINGS. I say this: That in view of the fact that it has been considered a power that the packers should not have, and the decree has taken it away from them, I should say it is all right in the public interest.

Mr. VOIGT. So far as your opinion goes, that might as well have been left out of the decree, then, without making any difference to the public interest?

Mr. HASTINGS. Except so far as it does create a prejudice against the industry, and a prejudice against the industry is something I have to pay for.

Mr. VOIGT. You will put it purely on the ground of prejudice?

Mr. HASTINGS. Well, I do not know that I can tack it down to that—whether it is prejudice or whether there is any real reason. It is just as well for the stockyards to be owned by somebody else, if they were efficient.

Mr. VOIGT. If there were no prejudice on the subject in the public mind, do you think then it would be proper for the packers to own the stockyards?

Mr. HASTINGS. I should say yes; if they were efficiently run: I should say it would be all right either way.

Mr. VOIGT. You think it is all right for the packers to own their own refrigerator cars?

Mr. HASTINGS. Yes, sir; I do. I believe that is directly in the interest of efficiency.

Mr. VOIGT. You think that every small packer should have the same access to refrigerator cars as the big packers?

Mr. HASTINGS. You mean to their refrigerators, or privately owned cars?

Mr. VOIGT. I mean access to cars owned by the railroads.

Mr. HASTINGS. I think that every effort should be made from every angle of the industry to encourage the railroads to furnish the small packers with refrigerator-car facilities. There is, of course, a limitation at this time. They will not be able to get those things. If you will recall, I made this point, that since the Interstate Commerce

Commission had shown that the private-owned lines and the railroads themselves have said they do show greater mileage, " Very well, they can protect that end of it themselves." Let us focus the railroads to protecting the small packers. That was my thought.

Mr. VOIGT. Is the small packer entitled to the same adequate shipping facilities as the large packer?

Mr. HASTINGS. I should say so.

Mr. VOIGT. You would not object to any law which would bring about that condition of equality between the big packer and the little packer?

Mr. HASTINGS. Except so far as it would take away from the big packer his privately owned cars. The efficiency comes in the matter of handling those things, focusing them. If the large packer should be short of cars to take our fresh products—that applies particularly to beef; it would not apply so much to pork, of which a large amount is cured—then our cattle would have to stand in the yards until they could find a capacity for moving them, except so far as they go into the freezers, which, of course, is not a good thing to do. There are certain cuts and things that have to hold over; but take the general fresh beef, as I understand it, it is better to move it without going into the freezer; and they have to decide, as I understand it, too, when they kill a beef whether it goes into the freezer or not. I do not think beef could be shipped to Georgia, become stale, and then be put into the freezer.

Mr. VOIGT. Would you favor a law which would compel the railroad companies to furnish refrigerator cars to small packers of the same fitness as those that are owned by the packers?

Mr. HASTINGS. Well, in a general way I should say yes. But you would have to take into consideration how rapidly those things could be done. I mean by that, that in discussing congested conditions in our country I heard a very able man connected with the administration show how inadequate the general number of cars were to hold the immense gluts of grain, and cotton, and things that were standing out in the open, and how meager was the immediate possibility—the Government would order 100,000 new cars, which were hardly enough to cover actual requirement; and he begged that there be every patience, and I think we should all join in every patience and every cooperation in helping the railroads to get the equipment which is necessary for conducting their business and for the furtherment——

Mr. VOIGT (interposing). You will agree that the refrigerator car is a transportation facility, will you not?

Mr. HASTINGS. Oh, yes.

Mr. VOIGT. What do you think, as a general principle, should transportation facilities be owned by the railroads or by private individuals?

Mr. HASTINGS. My answer to that would be this: I grew up in the early history of refrigeration. I do not believe to-day that unless it were for the great initiative in the private lines, giving an adequate equipment to distribute the facilities of the branch house feature of the packers—I do not believe that production would be nearly as great as it is, and that we would not have the immense results from American production. I think it was that private initiative, following this thought just as I follow it in my own business, just as every American follows it in his business, we should hew to the line of development, because you can not expect somebody else to do it. The railroads would roll that stuff if you had a market for it, but you must get a market for it, and they would not in advance anticipate that you were going to be successful in that market by having a surplus of refrigerator cars for it. Therefore, figuring from that angle of this vital influence on the development of cattle and the general meat industry of the United States, I think that they should be privately owned. It was all right for them to be privately owned.

Mr. VOIGT. Do you think that railroad companies should be compelled to furnish transportation facilities for all marketable products?

Mr. HASTINGS. Yes; I do.

Mr. VOIGT. And would not that include refrigerator cars?

Mr. HASTINGS. Yes, sir; it would to some extent. As I say, going back to the initiative in that direction, it was vital in helping them make a market, and I do not believe that you could compel the railroads to furnish an equipment in anticipation——

Mr. VOIGT (interposing). I am not talking now about "anticipation." I am talking about the actual business that exists in the country. Would you want to see the small packer of this country at a disadvantage——

Mr. HASTINGS. Absolutely no.

Mr. VOIGT (continuing). In the matter of refrigerator cars?

Mr. HASTINGS. Absolutely no.

Mr. VOIGT. Then you would be in favor of seeing to it that the small packer gets his refrigerator cars and gets them as promptly as the large packer gets them?

Mr. HASTINGS. Getting them promptly is one of the main features in the privately operated car. They can anticipate—they know, and they have absolutely the power to concentrate their equipment for that purpose. I think all of us who have had anything to do, now or at any time in the past, in the way of commanding cars have found that we got the answer, "We will give them to you if we can."

Mr. VOIGT. You would be in favor of a law that would compel the railroad company to show no discrimination in the handling of refrigerator cars belonging to the packers or of refrigerator cars belonging to the railroads?

Mr. HASTINGS. I should say that would be all right. Of course, those are things I have not given a moment's thought to. They are abstract questions, and I should say, in a general way, that that would be all right.

The CHAIRMAN. We are very grateful to you.

Mr. HASTINGS. Gentlemen, I want to thank you for your kindness and courtesy and patience. I want to say this, that I do not want to advertise my business, but our little book carried such a wonderful collection of ranch pictures that I would be glad for any of you to have it, and Mr. Wade, who is here in the building, will see that each of you have a copy if you would like to have it.

The CHAIRMAN. The committee will now adjourn until to-morrow morning at 10 o'clock.

(Thereupon, at 4.55 o'clock p. m., the committee adjourned to meet to-morrow, Wednesday, March 25, 1920, at 10 a. m.)

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